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NATIONAL BUSINESS REVIEW

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Inside

Pressure for Audit Office probe of Air NZ affairs

by Allan Parker

PRESSURE is mounting to have the Audit Office — the taxpayers' watchdog — investigate Air New Zealand's financial records after years of Government refusal to allow such à probe.

Although there is no legal bar to an Audit Office check on the airline's books, the public auditors must have Government authorisation.

But since the 1978 merger of Air New Zealand and the National Airways Corporation, the Government has made no move to provide that authority.

Air New Zealand has claimed such an examination and consequent public disclosure — would harm its international competitiveness. The Audit Office rejects that argument as "difficult to sustain".

Now, with Parliament's Public Expenditure Committee about to look into the airline's financial records, political pressure for the Audit Office to assume responsibility for the annual accounts is expected to increase.

With other audits of Government-owned organisations, the Audit Office acts as a "right arm" to the powerful committee, as well as maintaining its independent stance by by reporting directly to Parliament through the Speaker of the House.

But the committee will not be able to use this facility when it begins its Air New Zealand probe.

An authoritative source with access to Audit Office thinking about the issue has told *NBR* the office believes it should have the right to conduct Air New Zealand's accounts audit.

"Considering the airline is completely owned by the taxpayer, the Audit Office feels it should be accountable to the taxpayer," said the source.

"The House (Parliament) should be better informed."

The Audit Office used to "audit" the NAC books but not Air New Zealand's, because the international operation was a limited liability company (wholly-owned by the Government).

Then, as now, Air New Zealand had its annual audit conducted by a firm of chartered accountants, Clarke Menzies and Co.

But legislation introduced in 1977 under the Public Finance Act removed express prohibitions on an Audit Office probe be into the merged airlines' financial affairs.

In 1978, Auditor-General Fred Shailes told Parliament his office was unhappy that it was barred by the Government from carrying out audits into Air New Zealand.

He suggested that best aspects of private and public audits could be preserved by the Audit Office employing the chartered accountants who would report direct to him, "rather than be appointed by the company's annual general meeting on the recommendation of directors".

The Audit Office already runs a number of similar arrangements and *NBR* understands it will shortly publish details of these.

Reaction to that earlier solution was negative.

Shailes reported to Parliament: "It has been represented by me that an audit by this office of the enlarged airline could result in disclosures which would be harmful to the international competitiveness of operations.

"In view of the wide range of experience this office has with the audit of international commercial organisations such as the Dairy Board and its subsidiary companies, Meat Board, Wool Board and Shipping Corporation, this argument is difficult to sustain."

He also pointed out that Qantas is audited by the Auditor-General of Australia.

His comments were unavailing. The Government told him to keep off.

But the tragic and controversial events of the last year have revived the debate and the airline's affairs are being questioned more critically, in particular its large and rising financial losses.

NBR's source believes the forthcoming Public Expenditure Committee examination will force the Government's hand to allow the Audit Office to investigate the airline, even if it is just as a "second-tier" audit which would allow the current private sector auditor to retain its role.

Shailes has already revealed in his latest report to Parliament last week that his office is examining the operation of the Rarotongan Hotel in which Air New Zealand has a one-third interest.

The hotel is co-owned by the Cook Islands Government and the Tourist Hotel Corporation. Dissatisfaction with continuing losses at the hotel prompted the THC to invite the Audit Office to examine the operation.

Shailes will make "further comment" to Parliament in another report scheduled to be presented on June 24.

Fred Shailes . . . pushing for go-ahead.

New coal venture

by Warren Berryman

CERAMCO and Bridgevale Mining are investigating a proposal to put together a new company — Energy Resources (NZ) Ltd — to exploit and promote New Zealand coal.

If and when these plans reach fruition a share issue will be floated.

Ceramco and Bridgevale directors remain tight-lipped about the venture. But *NBR* understands their plans call for a public company combining Ceramco, Bridgevale Mining, coal-mining vendors and the public (which is expected to be offered at least 50 per cent of the shares).

Bridgevale's Charming Creek coal mine on the West Coast is likely to be involved in the arrangement.

NBR understands Ceramco's managing director, Tom Clark, has had talks with owners of mines in the Southland and Taranaki areas.

NBR sources predict the coal eventually may be mined for export. Bridgevale's chairman, Alfred Wakefield, said he could make no comment.

Ceramco's director Mike Smith said all discussions were confidential.

Smith did not deny the possibility of a share float as outlined by *NBR*.

A feasibility study is being undertaken by the parties involved. If the study shows the venture to be viable, floating of the new company will be announced.

Public participation will be invited subject to the outcome of the studies and Stock Exchange approval being granted.

Talboys at ASEAN talks: reminding them we're here

by Allan Parker

FOREIGN Minister Brian Talboys this week carries the New Zealand flag to the centre of a trading region worth hundreds of millions of dollars a year, the Association of South East Asian Nations (ASEAN).

The visit is essentially diplomatic, with no trade initiatives expected by New Zealand official or trading interests.

But our presence at the meeting of ASEAN foreign ministers in Manila is regarded by local officials as another opportunity to reaffirm New Zealand's interests in South-east Asia.

From such efforts, New Zealand hopes trade growth between this country and the five members of ASEAN (Indonesia, Malaysia, the Philippines, Singapore and Thailand) will continue.

In 1977-78, trade totalled just under $250 million (imports to New Zealand: $98.6 million; exports from New Zealand: $149.9 million).

In the nine months to March this year, that trade had grown to nearly $700 million (imports $404.6 million; exports $288.2 million).

Most of the New Zealand imports in those nine months were oil or refined petroleum products from Indonesia and Singapore ($350 million); leaving New Zealand with residue trade advantage of 5:1.

The region is an important element in trading terms. But that importance is multiplied in foreign policy considerations.

And it is this latter brief that Talboys will carry with him to the Manila conference later this week.

Through the Vietnam experience, New Zealand has maintained an active interest in the area. The early domino theory perceived South-east Asia as the front-line for Australia and New Zealand against Communist aggression.

While that bogy has receded, the region is still embroiled in tension and warfare and the ASEAN states particularly regard Vietnam's invasion of Cambodia (Kampuchea) as the most threatening to stability in their sphere of influence.

The ASEAN nations thus regard this week's meeting as important. Also attending are high-ranking political figures from the United States, Canada, Japan, Europe and Australia, as well as New Zealand. These "dialogue" countries will meet individually with the separate foreign ministers after the Manila conference.

Of particular interest to the ASEAN states — and the international community at large — will be the attitude of the United States, scarred by the memory of the Vietnam War.

Secretary of State Alexander Haig will be making the Reagan Administration's first official foray into the region at the conference; the United States commitment to South-east Asia, as spelled out by Haig, will be watched closely.

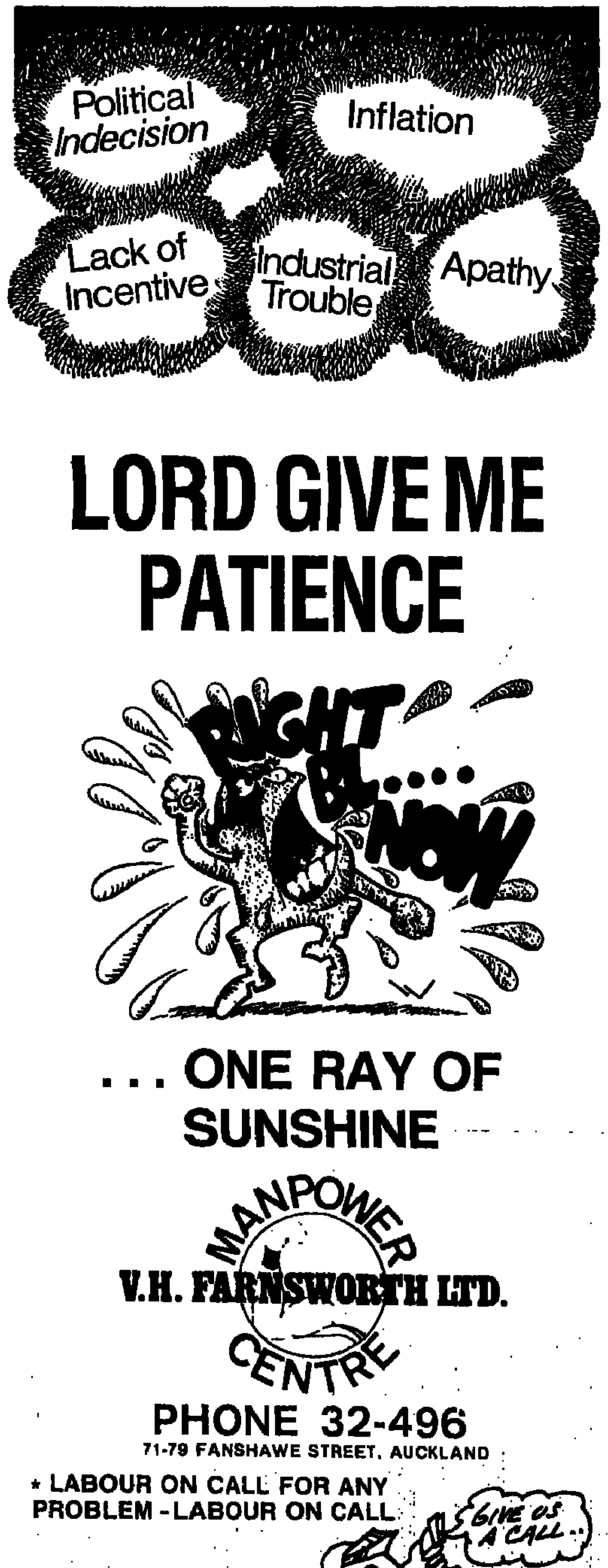
New Zealand officials do not see the Manila get-together as a negotiating session with tangible results; rather they describe it as "a reaffirmation of our interest" in the region.

Such tacit support is important to the ASEAN states, which seek support for their own views at a United Nations General Assembly meeting on Cambodia next month.

Privately, all "dialogue" countries attending this week's conference have agreed to provide that support; this week will provide an opportunity for collective, even public, confirmation of that intention.

Given the interests of these nations, including New Zealand, in seeing a flourishing and secure ASEAN bloc, our attendance is important.

And, the Government hopes, it will reinforce our trading links in the long term.



Fletchers sit on fence with farmers

FLETCHER Challenge appears to have played a central role in the "peace agreement" between Canterbury Frozen Meat and the Primary Producers Co-op Society.

Statements by chairman Ron Trotter last week said FCL had been involved in the talks and the impression given was that the giant's role had been relatively minor.

But *NBR* understands that a decision by FCL not to support CFM chairman Ian McKellar in his opposition to the PPCS involvement in the company, may have swung the deal in the co-operative's favour.

NBR (June 1) suggested much of the difficulty between the two parties was due to personality conflicts and finally settlement was reached quite easily.

FCL bought in to the meat company to give it something to bargain with if it needed to protect the interests of its stock and station company, Wrightson NMA. And that inevitably involved keeping onside with the farmers.

Since the PPCS has 10,000 farmer-shareholders, FCL apparently decided to sit on the fence rather than side with CFM in opposing the PPCS. Had it done so it would have alienated many of its South Island customers.

This meant McKellar stood little chance of overcoming what he saw as the threat from PPCS, and a "mutually acceptable agreement" was the only other answer.

The agreement is that the PPCS accept a limit to the number of directors it can seat at the board table in return for the CFM dropping a request for the PPCS to accept voting limitations.

The result: The PPCS has received what it set out to get — three out of the 10 board seats — and the CFM has been satisfied that the PPCS motives are not as sinister as its directors originally suspected.

The only intangible is whether the FCL decision will affect the atmosphere in the Fletcher Challenge boardroom, where McKellar is one of the directors.

The week in brief

SYNTHETIC petrol is a non-starter with the Commission for the Environment. In its audit of Mobil's proposed syngas plant in Taranaki it said compressed natural gas and M85 — a blend of methanol and petrol — would make less impact on the environment. "If efficiency of energy use were a primary criterion, synthetic petrol would have been rejected, outright," the commission said.

MILK will go up 4 cents to 25 cents a 600ml bottle on 1 August.

AIR NEW ZEALAND included pilot error as a contributory factor for the Mt Erebus disaster when it returned the Prime Minister Rob Muldoon's "twenty questions". And the State Services Commission said the civil aviation division of the Ministry of Transport was not as culpable as the Royal Commission, Mr Justice Mahon, said it was.

THE Shipping Corporation turned in a $7 million loss on a record turnover of $81 million. Trading profit was $5.4 million.

ACCIDENT Compensation will remain intact for at least another year. The Government withdrew its proposed amendments to cut the scheme down in the face of strong opposition and sent the draft bill to the corporation for study.

NIGERIA says it will seek an alternative venue to Auckland for the Commonwealth finance ministers' conference in September if the Springbok rugby tour proceeds.

Week ahead

MONDAY: Chambers of Commerce trade and investment mission leaves for 10 day Canadian visit.

Retail Traders Society conference, Rotorua, till Wednesday.

TUESDAY: Radio Avon AGM, Christchurch.

WEDNESDAY: Electrical Industry Training Board conference, Rotorua, till Friday.

SATURDAY: National conference on human rights in Latin America, Wellington, till Sunday.

Bendon plans low par-high premium public issue

by Klaus Sorensen

LINGERIE manufacturer Bendon Industries Ltd will unveil a high premium-low par value public issue in the next few days.

NBR understands the company will launch an issue of around three million 25c par value shares at a premium reflecting the company's hefty profitability.

Total value of the issue will be around $5.6 million.

Investors will be asked to pay a premium of around $1.50 for the shares — a total issue price of $1.75 a share.

Assuming a payout of around half of the company's profits, a 14 cents per share dividend would provide a yield of 8 per cent.

Auckland sources told *NBR* last week the issue would have an "unusual" par value.

Inquiries suggest this will be either 20c or 25c, but with the latter par value being the most likely.

The prospectus for the issue will be available either at the end of this week, or early next week.

So far Bendon has disclosed only that it will be issuing 40 per cent of its $2 million capital and that these shares will come from existing shareholders.

Earlier this year the current Bendon shareholders bought out the 40 per cent shareholding in the company held by the Australian Berlei Hestia Ltd, a Dunlop subsidiary.

The company is based in East Tamaki and has manufacturing plants throughout the North Island. It employs more than 650 people and leads the market in women's bodyfashions and is a major manufacturer of men's undergarments.

Bendon also has a promising — and *NBR* understands highly profitable — diversification into "Minigrip" self-sealing plastic bags. Bendon has the New Zealand franchise for the bags.

The float will not involve any increase in the $2 million capital and *NBR* understands the company's share capital has recently been split into smaller units in preparation for the float.

The company also reported its March 31 1981 financial year results last week, and these support the information on the float details that was obtained by *NBR*.

The 1981 profit was up from $1,655,000 to $2,258,000 after sales increased from $18.5 million to $22.2 million.

This profit returns 112 per cent on capital, which is equivalent to an earnings per 25c share figure of 28 cents.

A share split to 25c units would increase the total number of shares to eight million and the intention to issue 40 per cent of the capital to the public suggests 3.2 million shares will be floated.

It is understood the company will pay dividends of between 12 and 14 cents a share in the current year — and if the company tailors the float to yield investors between 7 and 8 per cent, the issue price should be between $1.75 and $2.00.

One of the advantages of the low par-high premium issue is that it will produce a handsome contribution to the share premium account, around $4.8 million, and this would be available to shareholders for tax-free dividends.

Present shareholders are the family of the founders — Ray and Des Hurley — and several of the executives and directors.

HARTfelt lapse of memory?

Special Correspondent

AIR New Zealand has got itself in yet another public relations knot over allegations by HART that it has sponsored the Golden Oldies rugby festival in California in which South Africans are taking part.

It stoutly denied the charge at the same time as brochures were circulating among travel agents covered in "Koros" and carrying the airline's name among the list of sponsors.

Last year, the *New Zealand Herald* carried a story which quoted Air New Zealand special promotions officer Paul Gleeson, also president of the Golden Oldies movement, as saying he was delighted about plans to spread the Golden Oldy movement right round the world.

A few weeks ago, HART got wind of South African involvement in the tournament this month at Long Beach, California, and suggested a breach of the Gleneagles Agreement.

Sports writer Terry McLean then wrote an article in the *New Zealand Herald* saying that Air New Zealand spokesman Craig Saxton strongly denied charges that the airline had acted as a collaborator in the staging of the festival with South African involvement.

"Air New Zealand's presence is not in a supportive, sponsoring role," he told McLean. "Its interest is purely commercial as a carrier of players and next-of-kin to Los Angeles — and it should be noted that the primary interest of all these travellers is a holiday tour to the Pacific Coast."

That raised some eyebrows within the travel business, awash as it was with the brochure carrying the koru and "Air New Zealand" boldly across the bottom of the cover and devoted solely to the 1981 Golden Oldies rugby festival in Long Beach.

Page two carries a list of sponsors: Centre for the Study of International Sport at California State University, Long Beach; the USA Senior Olympic, the Southern California Seniors and . . . wait for it . . . Air New Zealand.

Across the back page of the brochure is a bold picture of a DC 10 in Air New Zealand livery.

Fertiliser manufacturers take over their industry

by Ann Taylor

FERTILISER manufacturers are to take their destiny and a $68 million import industry into their own hands.

A new company, New Zealand Phosphate Ltd, will take over the responsibilities of the 60-year-old British Phosphate Commission from July 1.

The BPC previously handled the Christmas Island mines and supply to Australasia, but local manufacturers will now buy their requirements directly from the islands.

The president of the Fertiliser Manufacturers Federation and managing-director of East Coast Fertiliser, John Campbell, said the company will be substantially the same as the BPC.

Shareholders will be the superphosphate manufacturers. The difference was that "we will be doing our own thing, making our own arrangements", Campbell said.

Major shareholders in the new company are Ravensdown, Southland, and Bay of Plenty Phosphate Co, NZ Farmers Fertiliser and East Coast Fertiliser.

Arrangements for the 37 employees of the commission have not yet been made but Campbell said the new organisation "will be substantially the same".

Australia previously belonged to the BPC but will now import on its own account. Users here "will have regard to Australia's needs and the co-operation will continue," Campbell said.

But having exhausted phosphate resources on Ocean Island and been pushed out of the Nauru Republic, the manufacturers will have to look further afield for supplies when Christmas Island is depleted in some six years.

Background: Page 32

'Information broker' goes into receivership

by Stephen Bell

NELSON company Data Access has become the first casualty of the "information brokerage" revolution which followed the arrival of the Post Office's Oasis link, giving access to databases held on American computers.

The information broker, set up in August last year, has gone into receivership.

Receiver Douglas Strong, of Auckland accountants Goodacre, Strong and Company, said no statement on the indebtedness of the company could be made until a full statement of affairs had been prepared. Data Access did not employ its own accountant.

The receiver was called in by debenture holders Geoffrey Aldridge and Antonius Verhaaren, who also appear in October 1980 records at the Companies Office as directors of the company.

According to the company, it had sold $20,000 franchises for concerns in Christchurch and Palmerston North to operate on its behalf. The receiver has requested copies of these franchise agreements, but the company had not yet produced them, Strong said last week.

It is understood that the directors at one stage also attempted to sell the whole venture for $70,000.

Data Access, also known as Answer Access, was one of the new species of "information brokers" who sprang up following the establishment of the Oasis link.

Companies have, of course, been offering commercial information-gathering services for some time. Access to the databases, operated by such large concerns as Lockheed, provided a ready-made fund of information, allowing some information companies to expand their services.

But it also allowed new ventures to start up without much effort to assemble their own information resources.

Data Access said last year that it handled as much as three-quarters of its business directly through the Oasis link.

The company had an unconventional way of dealing with its clients, asking them to enter their information requirements on a form.

Longer-established information brokers point to the advisability of a continual dialogue between the person requesting the information and the staff member communicating with the database. An initial request under a subject heading may produce no information at all, because everything is listed under a slightly different term.

Alternatively, it may produce an unmanageable number of document references, requiring further refinement of the search.

NBR understands that clients of Data Access turned up on the doorsteps of other information agencies.

No comment was available from the company's Nelson office as *NBR* went to press.

Constructing potential attracts mystery buyer

by Warren Berryman

THE Hamilton-based construction company, Hawkins Holdings, does not know who is buying its shares.

About 25 per cent of the shares have changed hands in the last month. The share prices have climbed from 69 cents in January to $1.16.

These prices may reflect the advice given by various sharebrokers pointing to Hawkins Holdings potential. With a strong steel fabrication and construction side, the company is considered likely to play a role in the $6000 million worth of energy and industrial projects planned between 1981 and 1990.

But Hawkins directors, are concerned at the company's vulnerability to outside control following the recent share transfers.

Hawkins major shareholder, MLC, sold its block of 200,000 shares to an undisclosed buyer. Two major blocks of shares are left.

Amalgamated Dairies holds about 60,000 shares and told *NBR* it was not considering selling.

Retired Tauranga businessman, M Munro, holds 183,000 shares.

The remaining shareholding is divided in small parcels among about 1400 shareholders.

Hawkins Holdings secretary, R H Shergold, acknowledged that control of the company could be achieved with only 20 to 25 per cent of the shareholding in one block. He said he thought there were probably at least two buyers of Hawkins Holdings shares.

Late last month 206,000 Hawkins shares changed hands in one day. Two days later a further 105,000 shares changed hands.

Hawkins $2,222,389 issued capital is divided into 4,244,778 ordinary 50 cent shares.

"The fact that nothing has happened after that flurry of buying has me mystified. No one has approached us yet. We can't find out who the buyer or buyers are," Shergold said.

Hawkins is considered to be one of seven major construction companies likely to reap the benefits of the energy projects.

Sharemarket prophets speculate that the mystery buyer must be one of the other six, and control of Hawkins may have already passed on to an outsider.

American GNP

REAL gross national product (GNP) — the value of the total output of goods and services in the United States, adjusted for inflation — increased at an annual rate of 8.4 per cent in the first quarter of 1981, even stronger than the Government previously reported.

Wine stumbling block

THE Australian Parliament has been told that Australian supporters of the proposed closer economic relationship with New Zealand are concerned by our decision to increase protection for the wine industry here.

Trade and Resources Minister Doug Anthony, who led an Australian CER delegation to Wellington several weeks ago, told a questioner that these supporters must view the New Zealand decision as "a matter of concern".

Anthony believed it will be very difficult to sell Australian wines in New Zealand, following the New Zealand move.

A commentator in the *Australian Financial Review*, John Durie, noted: "The wine industry is regarded as being prestigious in New Zealand and government officials have been anxious to ensure that the infant industry does not fall in the face of the larger and more developed Australian industry.

"The New Zealand wine industry and the Australian dairy industry are the two major stumbling blocks to the resolution of the CER."

Comment

Editorial

FOL president Jim Knox certainly led with his chin when he addressed the International Labour Organisation conference in Geneva last week. Accounts of that speech published by the daily press in this country show him guilty of distortion and exaggeration on some issues, and suggest he was unnecessarily provocative with *his observations on others.* He was bound to strike raw nerves — but Prime Ministerial sensitivities are unduly acute.

Knox's complaint about workers being arrested for peacefully picketing for the first time in 30 years implied a jackbooted police force acting at the behest of the State to crack down on innocent unionists and courts in the pocket of the Government dealing with the arrested picketers. That's not what happened, and Knox's credibility deserves to suffer. He was wildly extravagant, too, when he talked of a Government intending to import foreign labour "because our work force is not tame enough to attract the transnationals". Indeed, if the Government was doing that, it might be excused, considering the irrational antics of some unionists on occasions.

On the other hand, Knox had cause to criticise the Government's hamfisted tampering with the Accident Compensation scheme and to point to a running down of our social welfare system.

Muldoon ought to be aggrieved at what Knox said. He should be experienced enough in the ways of the world not to be "appalled", however, and he over-reacted *with his own intemperate threat of* reprisals. His condemnation of Knox must further aggravate the strained relations between Government and trade union movement at a time when the economic climate requires a concerted attempt to win FOL support for attempts to curb inflation.

Muldoon declared that the Government *considered the ILO conference to* be so important that it had paid the expenses of the delegations of the FOL and the employers "out of taxpayers' funds". The Government makes that payment not as an expression of its sympathy for trade unionism, but because it is obligatory to this country's ILO membership. That fact makes nonsense of his assertion that if Knox "is going to slander his own country in the manner that he has done on this occasion, then as far as I am concerned in future he can pay his own way".

When Muldoon is abroad, he makes speeches which are calculated to show his administration in an attractive light. He should not expect his critics back home to concur with what he says, which is — in effect — his own paeon of praise for his own performance. Nor should he expect Knox to go abroad to speak in praise of the Government — especially when he has fomented a sustained attack on the trade union movement in recent weeks.

Not for the first time, Muldoon accused FOL secretary Ken Douglas of writing the speech, and thus of manipulating the trade union movement to further the Communist objective of smashing the capitalist system. *The author of the speech matters* not. The important point is that Knox delivered it; therefore it was an expression of the trade union leadership's view of the state of the nation.

Certainly, that view bears unmistakeable signs of being taken from a Marxist perspective. On maintaining the ill-considered trade ban with Chile, for example, Knox talked of a Government which was "quite content to trade with fascists . . .". He saw the trade union movement's role "as protector of the economically weak against the economically powerful . . ." He complained of hard-won democratic rights being "deliberately smashed". He referred to workers seeing their future and the future of their children mortgaged to the transnationals. There was the *dark hint of class* war in the assertion that workers were recognising that the most effective defence against Government policies might not necessarily be through traditional political means. Heady stuff (and if there is any truth in hints of civil disobedience or worse, then the Government should be grateful that to be forewarned is to be forearmed).

Knox also stated as a "truism" that to stay in power, the Government must serve the interests of those groups in society which held and exercised power — the wealthy — and thus it had a vested interest in ensuring that economic development did not result in a redistribution of wealth away from the rich and towards the poor. He accused the Muldoon Government of *attempting to maintain "the fiction that* the purpose of economic development was to benefit ordinary people". The idea that political power resides in wealth, and that economic development serves only to make the wealthy more wealthy, has distinctive Marxist overtones. It should not be dismissed as a slander, a distortion, or anything else for that reason. The merits of the argument are as worthy of discussion and debate as the worthiness or otherwise of electing a National or Labour (or Social Credit) Government in November. Indeed, they are probably more demanding of earnest consideration because they focus on the very essence of politics — the distribution of the nation's resources.

Certainly, Muldoon cannot demonstrate *that Knox's intemperate and hyperbolic* rhetoric did this country any damage. If he slandered anyone — and "slander" is as exaggerated as some of the statements Knox made in Geneva — it was not the country, but the Government. But Labour Minister Jim Bolger was also at the conference and entitled to speak; he could answer Knox, and correct those points that required correction.

Ironically, rather than harm the interests of the Muldoon Government, Knox may have enhanced them. The picture he painted of a downtrodden trade union movement and of a Government eagerly selling the country to the transnationals — if it is believed — is more likely than not to lure greater overseas investment to what the giant overseas corporations must identify as indeed *Godzone.* — *Bob Edlin*

Without word of a lie

The American way . . .

WHILE Kiwis are frequently inclined to discount the quality of service in our hostelries, that so-often-eulogised society — the United States — isn't always up to much either.

One *NBR* staffer recently had the doubtful pleasure of staying at the Washington Hilton to attend an international publishers conference. And while Conrad's staff could hardly be held responsible for the 14 stitches needed to mend the head of one attendee who thoughtlessly disturbed a burglar doing his nightly rounds, they certainly dished out their share of inhospitality in other directions.

One weary traveller called room service around 10.30 pm and stupidly asked for a snack of scrambled eggs before bedding down for the evening. "Can't you see we're busy," came the curt reply before the guest found himself holding a receiver with nothing but the silence of excommunication ringing in his ear.

And another washed-out guest who rang for laundry service got into a lather for the response she got that the laundry maid on that particular floor had filled "her quota of dirty undies for the day," and so presumably the guest might try recycling the soiled items or give the hand basin and the heater a try.

What South Island?

CONSULT a Bahrain international telephone book to dial New Zealand direct and you'll be presented with some quaint options. Included in the far-from-complete listings are such bustling centres of commerce as Albany, Oakley, Blairlogie and Tolaga Bay. Christchurch and Dunedin don't rate a mention.

Eternal verities

Some grafiti artists never give up. After a midnight artist sprayed "Patricia Barlett eats prunes" on an Auckland city wall, the owners of the building decided to cover the offending message and discourage further artwork by painting an attractive mural on the wall. No sooner was the mural completed than the wordsmith was back. "Patricia Bartlett still eats prunes," the message read.

Brockie's view

Cut down to size

IT'S good to see a spirit of irreverence among Young Nationals. We reprint this item from *White Ice and Blue Spice,* a newsletter published during their Queen's Birthday conference:

"Replying to a question in the House regarding the YN conference the Prime Minister, Sir Dulmoon KCMG (Kindly Call Me God) appreciated the Young Nationals' support of the Thing Big programme — 'If you were five foot two you would want to think big too.' "

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Comment

Broadcasting, the Boks and background issues

by Warren Mayne

THE broadcasting mice have roared. We now know what public radio and TV are doing about covering or not covering the Springbok rugby tour. The corporation has said yes, to the tour concluding virtually that it has no alternative and suggesting implicitly this is just a normal sporting and news assignment.

Well, it may be in an independent medium devoid of governmental interference and control. What suggests that the issue was not at all straightforward for the BCNZ is the unconscionable time the corporation's nine directors took to reach the obvious decision.

Two months in a row the tour coverage issue was on the BCNZ board's agenda. Twice it was deferred, until a decision was made, one might suspect somewhat reluctantly, at a stage so late that further deferment would have rendered the matter academic anyway.

And if this had been just a normal everyday matter, then it would have been left in the hands of TVNZ's head of sports, Keith McEwen, or his Radio New Zealand counterpart, John Howson, just as past negotiations for rugby coverage, right up to the present Scottish tour, have been left in their hands.

A controversy a year ago suggests that there is far more at stake. This time last year, programme controller Des Monaghan would have expected the usual carte blanche to decide the fate of an imported documentary called *Death of a Princess*. He wasn't given that liberty; the board made the decision and came out with a plethora of worthy reasons for vetoing the programme, a forthright concern for detail strangely in contrast with the terseness of the public statement about the tour.

The *Death of a Princess* decision was taken amid a welter of pros and cons from outside, most notably overt appeals from Prime Minister Rob Muldoon and then Broadcasting Minister Hugh Templeton, urging the BCNZ to give the thumbs-down. Saudi Arabia, our major oil suppler and promising potential customer, would be offended, they claimed. In short, the BCNZ would be playing its part in looking after New Zealand's best international interests.

Not even Ben Couch demurred.

This time round, only Foreign Minister Brian Talboys has been pushing the international effects of the tour.

But while the BCNZ last year went out of its way to play down the official approaches and grasped at Islamic experts and vague ethical permutations related to the mixing of fact and fiction, in *Death of a Princess*, this time round it shelters under the advice of the Ministry of Foreign Affairs, which advises that the Broadcasting Corporation was not bound to observe the Gleneagles Agreement.

Neither, as is patently obvious, does it affect the New Zealand Rugby Union — which probably suggests that for the improvement of our relations with other Commonwealth countries that do not understand the New Zealand way (not to be confused with *My Way*) Muldoon should take along the BCNZ's Ian Cross and the NZRFU's Ces Blazey as co-signatories next time he is obliged to sign an international agreement with such wide-reaching effects on New Zealand's internal affairs.

The corporation, on the Springbok issue, has neatly fudged an important distinction in its handling of the rugby tour — the distinction between news and sports coverage. There is a statutory duty to cover the tour, on and off-field, on news value, but the degree of live radio and TV match coverage carried by the BCNZ has always been a separate matter, for negotiating with sports bodies and paying fees.

For TV and radio sports broadcasters to give the public reports on the run of play and news crews to record the possible controversy at the match venues is a legitimate journalistic function the corporation should not and cannot sidestep. The action and words of the very visible Ron Don, however, suggest he and some of his colleagues are severely blinkered when demanding the media should concentrate on reporting only the action between the posts.

If rugby can introduce its own private interests into negotiating TV coverage, then broadcasting, if it is of a mind, can do likewise. The wider public interest which Cross has cited when allowing Muldoon free TV spots to announce and justify decisions in the industrial field, and which emerged by default in the *Death of a Princess* issue, are ample precedent.

Like it or not, the state broadcasting corporation, despite the specific effect of clause 26 of its Act requiring it only to be mindful of government policy only as it affects broadcasting, cannot avoid being seen as a weather vane of any Government interpretation of the wider national interest in matters which it leaves free for individual decision.

We saw this with last year's Olympic boycott — a decision the Government officially left to the individual sports. Then the corporation sheltered behind the reduced New Zealand participation in the Moscow games to scale down its coverage.

Again, like the rugby tour and the *Princess* documentary, this was a decision taken at board level instead of by middle management. Therefore they are matters which the BCNZ has deemed at top level to be matters of some national importance. Hence, it is almost impossible not to see the TV go-ahead as a reflection of *Muldoon Government opinion — or lack of* strong opinion — on condemning the tour.

Warren Mayne is an NBR journalist who has written on broadcasting matters for 13 years.

Question: Which Arabs are the real villains?

by Warren Berryman

PERENNIAL inflation apologists, Rob Muldoon and Lance Adams-Schneider, find a convenient scapegoat in those oil price-hiking Arabs.

But a simple calculator and set of statistics will show the Arabs to be poor cousins to the Muldoon Government when it comes to inflationary price hikes.

When Muldoon was elected in 1975 we were paying an average $9.60 for a barrel of oil. In 1980 it was $32.

A 233 per cent oil price increase in five years seems a greedy big whack by the Arabs.

But, as Reserve Bank governor Ray White points out, measuring prices in inflated dollars is like measuring with a rubber band.

During those five years our consumer price index went from 503 to over 1000. So our 1975 dollar is worth less than 50 cents now.

Measured in 1975 dollar terms the Arabs get only a 67 per cent increase for their oil.

Muldoon can't control Arab oil prices but he can control (or claims he can) his own bureaucracy. So let's stack Muldoon's price hikes against the Arabs' over the same period.

Postal rates up 400 per cent from 4c to 20c a letter in funny money terms or 200 per cent in real terms. Electricity up 335 per cent (real terms 168 per cent). A Railways trip from Auckland to Wellington up 122 per cent, bread up 180 per cent, butter up 172 per cent. And by August 1 milk up 600 per cent, from 4c to 25c.

Oil prices went up dramatically from $32 to $42 over the past year, a 30 per cent increase.

To beat the Arabs down we and the rest of the West can print more money — debasing our own currencies with inflation — or grapple with the real problem of curbing domestic inflation.

Maybe, just maybe, the Arabs would forgo future oil price hikes if our inflation didn't keep reducing the amount of goods they can buy with a barrel of oil.

Warren Berryman is NBR's Auckland staff reporter.

Letters

Slanted view of Dunedin

I CANNOT help but feel that if the stories on business written in your newspaper are as misleading as the unsigned story concerning the Dunedin Metropolitan Regional Planning Authority report on page 33, May 25, then your readers are in real jeopardy as far as obtaining factual information is concerned.

Absolutely no effort was made to obtain comment from the Dunedin city councillors who are criticised by your anonymous contributor and no attempt was made at all by your editorial staff to check the story.

It was simply an expression of slanted opinion by someone who obviously had an axe to grind. In my view it is contrary to all established journalistic practice to present this kind of unverified story in this way.

The first aspect that is puzzling is that as far as "news" is concerned, this issue was well covered both in the news and editorial columns of the daily press at the time it surfaced — almost three months ago.

The fact that it has been resurrected by your newspaper seems to indicate that news value was not a consideration in selecting it, but rather a peg was needed on which to hang an elaboration of one small critical part of the report — concerning the new aluminium smelter.

The report was generated in the normal course of work by the planning staff and placed before the technical committee which passed it to the executive committee for discussion. At this point it could have been accepted without change or sent back for modification as the committee saw fit. It saw fit to take the latter course.

The second important aspect is that it contained nothing novel. Not one fact in the document was not public knowledge and widely known before the planning staff made their report.

The *Otago Daily Times* stated this in its editorial on the subject and that matter has never been in dispute. So this effectively disposes of the accusation that the authority was suppressing facts.

What the authority did was to express dissatisfaction with the restricted way in which the planning staff had considered the options open to Dunedin. Instead of examining a number of possible scenarios, the planners had decided on one and come up with a projection based upon that alone.

The fact that Dunedin has had a falling population base is common knowledge and did not require great scholarship on the part of the planning staff to establish.

It was in the predictions stemming from the known facts that the authority felt more work could be done. Accordingly, and quite legitimately, it asked the planning staff to reconsider the options in the light of other variables and produce more than one scenario.

In regard to the new aluminium smelter, the report oddly intimated that this new industry would not solve all Dunedin's problems.

What was curious about this inclusion was the fact that no-one, least of all the authority members, had ever believed it would. So in this aspect, the report was answering questions that had never been asked.

It was, however, fair to assume that although it was not a magical panacea, the smelter would have introduced some optimism into what was otherwise a suggestion that Dunedin should reconcile itself to what the planners saw as a "challenging" future. This future was concerned, *inter alia*, with alternative life-styles and job-sharing.

Alternative life-styles may appeal to some, but they would not be "alternative" if everyone was forced to live that way. Likewise, job-sharing is hardly an answer to employment difficulties. It has yet to be established how one job can provide more that one living wage, for instance.

Unless the planning staff expected the authority to begin unilateral negotiations with the unions and the Government to initiate such a scheme, then to produce it as a coping measure for Dunedin was about as useful as suggesting a mass migration to Mars.

In a nutshell, there was no suppression of the report because it was never intended as a public discussion document in the first place. When it was unsatisfactory, it was referred back in the normal fashion.

The authority is under no obligation to accept the projections of its staff as being unchallengable. It was, and is, perfectly acceptable for the authority to request that new variables be introduced into the projection and the crystal ball given another shake to see what options are possible.

What the authority expected was for the planners to come up with positive strategies for the short, medium and long term to combat what they and everyone else saw as looming problems.

In the event, they received a document that contained a kind of "grin and bear it" negativism which was considered unacceptable.

Your contributor makes a disparaging reference to "sometime maybe" factors and implies that the planners were not informed of the tentative nature of the industries they were asked to include in revised projections. But if "sometime maybe" rules out possibilities being taken into account, then it would seem to rule out planning departments altogether.

After the original report was given to the press, the resulting criticism was as much against its substantive content as its non-release. Many businessmen have said that the report seemed to imply that spending on contingency planning must constitute a waste of time. I am sure that this is not what the authors of the report intended.

Please feel free to contact me directly, or the city council executive staff if at any time you require factual information concerning Dunedin or the planning authority.

C G Skeggs
Mayor of Dunedin

Manipulated opinions?

THE red face headlined in the article on Dunedin in your issue of May 25 1981, should in fact be yours, Sir, for printing an anonymous article without even giving the people mentioned in it the opportunity to confirm or deny the statements printed.

It is a lie to say that the question from the press to me concerned the report not being made public. The question referred to my motion that in the first instance the report be discussed "in committee" — there is a difference.

The unanimous decision taken by the Dunedin Metropolitan Regional Planning Authority that the article be not made public was not moved by me or spoken of by me to the press.

The report, prepared as a discussion document, was not sent back because of the facts it contained such as nil growth for Dunedin — that statistical fact was public information already reported — but because of the personal opinions expressed by the officers with which the authority as a whole did not agree.

It is interesting to note the comment that privately some of the professional staff were angry. Do you really believe that our planning staff expect the authority to "rubber stamp" anything they care to write — I give our planning staff more credibility than that. This is a responsible authority, charged with the duty of making reasoned judgments.

It is obvious we have more information than your writer regarding the freezing works and chip mill for Otago.

My point, sir, is that it is not the first time *National Business Review* has written such one-sided, biased articles. In fact it was a similar series of such articles which prompted me to cancel my subscription to your paper.

From a business paper one should expect reliable facts, not manipulated opinions for sensationalism.

E Jean McLean
Dunedin city councillor and member, Dunedin Metropolitan Regional Planning Authority

The article was written by Dunedin journalist Alastair Morrison, based on a copy of the original, unpublished report made available to him and the substantially modified version which the authority's executive committee released to the public. The contents of both reports thus were easily verifiable and did not require any person's confirmation or denial to establish the nature of the information they contained.

Mr Skeggs states that the original report was not suppressed because "it was never intended as a public discussion document in the first place". But the regional planning officers' first of three recommendations to the committee states: "that this report be made readily available to the public . . ."

Mr Skeggs questions the news value of the article, presumably because he cannot see beyond the parochial details of the issue. A central theme of our article, however, was to highlight the problem that the public at large is facing at all levels in getting accurate and full information from its elected representatives.

In this instance, comparison of the suppressed and modified reports identifies a clear case of political intervention to modify expert professional advice.

What concerned professional staff was not reluctance to rubber-stamp the original report, but the refusal to release it for wider public comment.

Mrs McLean makes a distinction between "in-committee" discussion and secrecy. That distinction does not alter the fact that, in this instance, the effect of going into committee was to suppress the original report and release only a modified, and presumably more politically palatable, version.

It is of interest to note that the committee's chairman, Robin Archer, now believes the original report ought to have been made public. — Editor.

Politics

The peril of not lifting our eyes to the hills

by Colin James

"WHEN New Zealanders are abroad they're representing New Zealand and it's an unwritten law that you don't knock your own country in foreign parts and this is an appalling speech," said the Prime Minister.

"Doesn't your comment about him paying his own way amount to censorship?" asked state radio journalist Ian Dougherty.

"Oh come on. Don't be silly," said the Prime Minister.

Dougherty: "You have said to him (Jim Knox) that if he repeats this sort of thing the Government will not pay (his fare to International Labour Organisation meetings). Doesn't that suggest that you want some sort of control over what he says?"

Reply: "I want him to behave like a New Zealander." (Then some communist smear.)

Knox, of course, rejoined that he was not concerned. We can be sure he will go on speaking his mind even if the money is cut off. The threat was only *attempted* censorship.

Similarly the Government did not censor Corso a couple of years back by removing its tax-exempt status. Corso is still making statements — on the Springbok tour, for example — that irk the Government.

But there is no essential difference between attempted and completed murder. The intent is the same. The act performed on the victim is not altered by virtue of its failure to achieve its murderous object.

So with censorship, Dougherty is not, and was not, silly. It was, and is, a valid question.

If in future, in reaction to the threat, Knox did hold back from saying something he would otherwise have said, the attempted censorship would become censorship.

But Dougherty got the contemptuous and contemptible treatment from the Prime Minister we have become numbingly used to over the past five years. After one of his periodic spells of restraint, the familiar intemperance was waxing again.

The volcano was developing a bit of a bulge and emitting the odd belch of smoke and ash. That he has now gone away for three weeks may have spared us a messy eruption.

The bulge was understandable. Things have not been going all the Government's way over the past month or so, despite the polls, so the heat has been building.

There was trouble getting the figures right for last year's accounts. I understand the Government did not learn the true extent of last year's $1525 million internal deficit until some time in May.

In addition, the new spending control package devised last year by former Associate Minister of Finance Derek Quigley and the Treasury had teething troubles. It has been less (critics say much less) successful than hoped in holding down this year's spending.

Since economically these factors meant there was little or no fiscal room to move, political urgency was added to the wage-tax trade-off talks which had been stuttering fitfully on since January.

Politically, the Government has to give, or feels it has to give, income tax cuts in election year. But cuts would increase the deficit to a politically embarrassing level.

The escape route was to wave around some sort of agreement with the Federation of Labour as promising a politically beneficial future reduction in inflation in return for the tax-cut-induced higher deficit.

Would such an agreement have stuck? Would — could — such an unwieldy beast as the FOL deliver a lower wage round? Its member unions are highly autonomous.

The sceptic must doubt it.

There is a precedent in three years of voluntary wage restraint by unions during the Wilson-Callaghan Labour Government in Britain in the mid-1970s.

But the British Government and unions discussed the issue with a sense of shared purpose — *alongside* each other. Our Government *negotiates* across the table, in a spirit of combative confrontation.

(There are exceptions. George Gair has been remarkably successful at taking people along with him while planing painful shavings off the health system. Even stories of mental patients sleeping on the floor don't arouse the vilification copped by his more expansive predecessor, Frank Gill.)

The FOL never could have handed the Government such an election-year trump card.

For that is what the "agreement in principle" the Government was talking about would have amounted to.

It wanted from the FOL a blank cheque that whatever tax cuts were made in the Budget would be adjusted for in wage demands — a flat tax rebate against a flat-rate reduction in money wage demands on a $1 for $1.54 basis.

The "agreement in principle" tack was forced on the Government because it could not afford to appear to be "negotiating" tax cuts with an interest group.

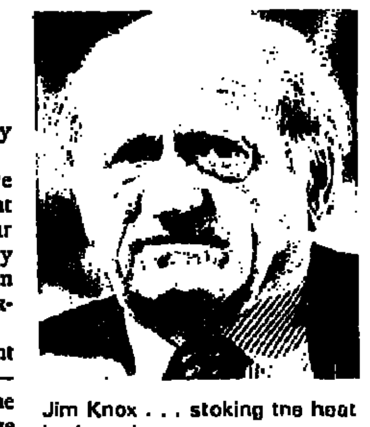
But it became muddied because if wage demands were to be reduced, one had first to know from what figure they were being reduced. That led the Government into nominating a figure of 9 per cent (a generous 14 per cent minus the 5 per cent general wage order).

Such a figure, once nominated, automatically becomes a target minimum for unions. This is the third year in succession the Government has provided such a target — and each time arguably at a more generous level than it might have got away with.

But one figure can be made to lead to others. The FOL promptly drove a 20-ton truck through the "agreement in principle" principle.

It started talking detailed figures. Where would fiscal drag (a knotty question on which I could get no consensus last week) fit it — would it be wholly, partly or not at all allowed for before any trade-off? What precise wage increases and tax rebates did the Government have in mind? Let's have money on the table, said long-time bargainer Ken Douglas.

The Government then had no choice but to break off the talks, apparently at the end of a brief, stormy eruption from the Government side. It now has to devise cuts to offset fiscal drag without the cloak of an apparent legitimisation by the FOL — and maybe with some form of wage controls, almost universally condemned as counterproductive.



Jim Knox . . . stoking the heat in the volcano.

Was the FOL simply being obstructive? On the face of it, it may appear so. But consider the ad hoc, short-focus nature of the wage-tax trade-off idea. And put it beside the real long-term needs in tax and wage-fixing reform.

Had it accepted and developed last year's far-reaching wage-fixing reform proposals by the Employers Federation and the FOL, the Government could now be waving that as an election trump card.

As Employers Federation advocacy director Max Bradford said on radio last week: "We've been sidetracked somewhat on the wage-tax trade-off . . . we're a bit disappointed with the Prime Minister's view that because there can't be agreement on the tax-wage trade-off then we can't go ahead with the rest of the wages reform talks. We believe that to be a suicidal position from the country's point of view."

In fact, informal talks on the other issues are continuing at non-government level on a semi-clandestine basis, to reclothe the 1980 proposal for presentation to a perhaps more receptive 1982 Government.

The wage-tax business sidetracked other reform also. In the six months Treasury noses have been on that grindstone, possible work on real tax reform — widening the tax base — has been severely hampered.

Had it set its mind to it, and given the Treasury the resources to do the background work necessary, the Government could have been introducing election trump card tax reform in next month's Budget to take effect next year. That would have made talk of trade-offs superfluous.

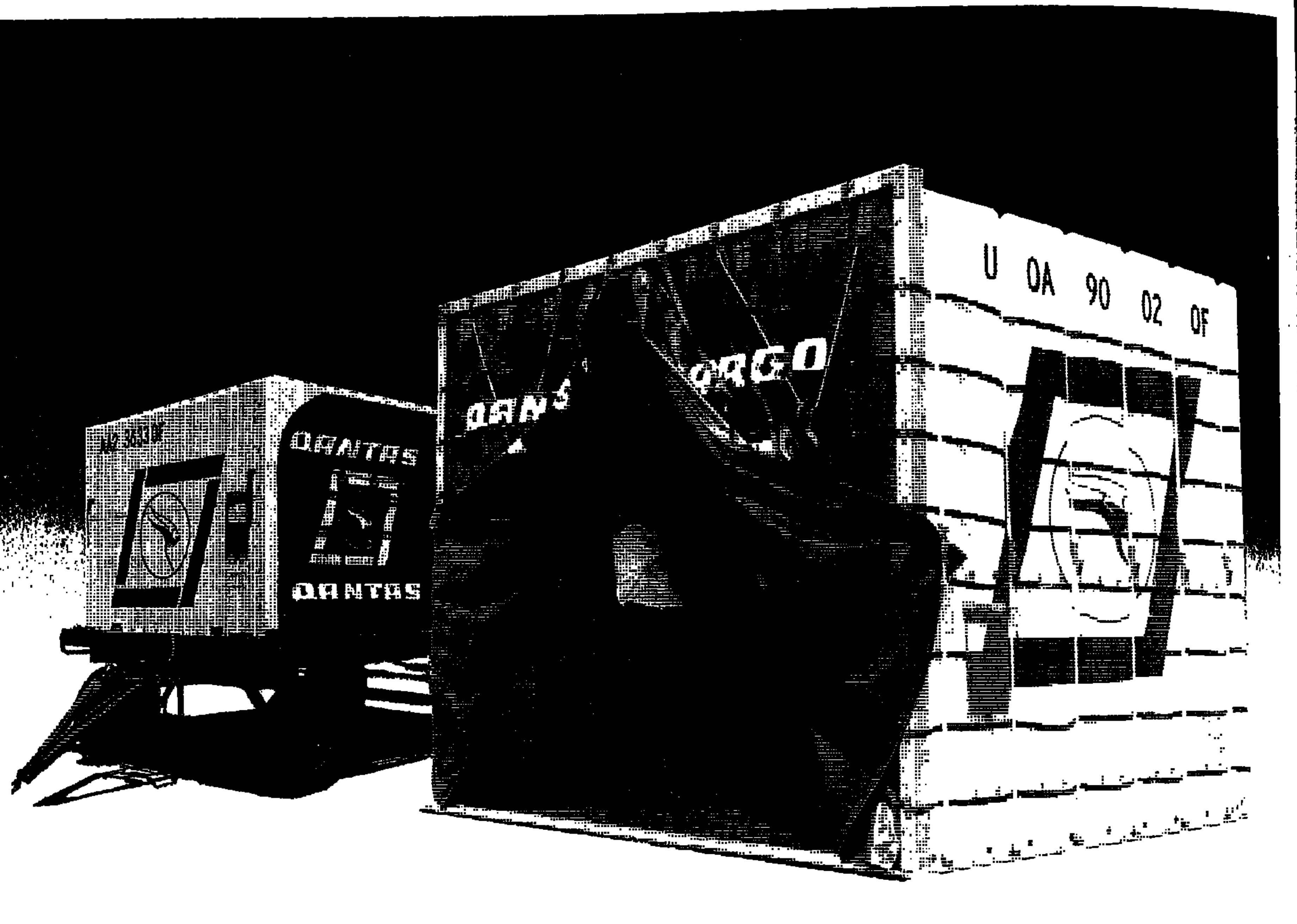
But the Treasury has had neither the resources nor the direction from the top. Thus, on the one hand the Government does not have enough detailed information to put a watertight tax proposal to the electorate (though it will no doubt manage to appear to have).

And on the other hand, whatever promises the party that becomes next year's Government cobbles together for election purposes this year, the best estimate is that it will take until 1984 to get the promise workably implemented.

"I will lift up mine eyes unto the hills," said the psalmist. A wizard's spell has fixed our eyes on our feet. And we have become stuck in the mud of myopia, intemperance, obstruction and intolerance.

Jim Knox's speech was riddled with extravagant left-wing rhetoric unbecoming of the leader of a respected organisation.

But the way to deal with it is not to issue threats and call honest and able reporters silly. It is to lift our sights to the hills so we can all see clearly the poverty of the rhetoric.



Muldoon deficit dilemma; chill deal for taxpayers?

by Bob Edlin

THE cold data contained in the latest *Summary of the Receipts and Payments of the Public Account* for the year ended March 31 1981 — to give its proper name — should chill the expectations of taxpayers who hope for relief in this election-year Budget. They also throw doubts on the financial management capability of the Government and its Treasury advisers.

The summary disclosed a deficit before borrowing of $265 million more than was estimated in the Budget. We may shrug our shoulders and say that a 21 per cent discrepancy wasn't a bad Budget guess. But the Government's record is one of persistent miscalculating of the internal deficit. That tells us it can't budget — which implies poor management.

It also suggests strongly that Government planning is bound to be awry because it is being based on wrong assumptions. There are significant inflationary implications in a 21 per cent miscalculation of the internal deficit, for example. This must handicap the work of those who are trying to formulate appropriate economic policies.

Whether the actual deficit of $1524 million (compared with $1260 million in the 1980 Budget estimates) is something which should bother us depends on the Government's objective.

If it is to balance its books, the deficit must be a calamitous embarrassment; if the Government is deliberately tolerating a deficit at that level or even greater as part of its economic policy, its actions might be justified (but it should be embarrassed nevertheless for not explaining adequately the role a high deficit is playing in its economic strategy and at what stage the deficit will be above or below a level consistent with that strategy). If it cannot persuade us that the deficit is appropriate for our economic circumstances, it will deserve the condemnation of political opponents who charge that the deficit is evidence of an economy running out of control.

Depending on how the Government hopes to use the internal deficit as a tool of economic policy, and depending on how high it is prepared to push that deficit as a calculated economic decision, the Government may be emboldened to announce tax cuts in the Budget, regardless of a trade-off on wage claims being agreed with the Federation of Labour.

But the deficit recorded for the year to March 31 is evidence to support the view of those who argue there will be election year goodies in this year's budget.

And don't forget that a tax cut of just 5 per cent (a comparative pittance in the pockets of individuals) would add some $300 million to the deficit.

Auckland Star political writer Ian Templeton sounded a cautionary note recently when he wrote:

"The long faces of Treasury officials as they held their annual budgetary sessions probably tell the story more accurately (than an FOL which believes Muldoon is bluffing when he says there will be no tax cuts with a trade-off on wage bargaining). The word in Wellington is that there is no 'election year kitty' for a bountiful government to carve up as handouts."

A year earlier, Finance Minister Rob Muldoon could proudly announce that his Government had been successful in reducing its deficit before borrowing from more than $1445 million in 1978-79 to less than $1023 million in 1979-80.

This year's internal deficit before borrowing has climbed above the 1978-79 level (and the pessimists amidst us are forecasting a $2000 million deficit in the current financial year).

Even worse for those who like to think we should be living within our means, the Government has been doing some heavy borrowing.

According to the latest summary of the Public Accounts and the Controller and Auditor-General's report on them, public borrowing increased by $497 million to $1528.6 million in the March 31 year. Net borrowing overseas in the March 31 year totalled $753.8 million, marginally less than the $774.8 million borrowed internally. But it was significantly higher than the $327.7 million borrowed overseas in the previous year.

Gross borrowing (before repayments and the rolling over of previous loans) tells a different story. The bulk of gross borrowing has been overseas ($1510.5 million, compared with $1133.8 million borrowed internally).

Repayments have eaten up $761.2 million of the overseas borrowings. Indeed, they exceeded the total amount borrowed overseas in the previous March 31 year.

Repayments consumed 49 per cent of total overseas borrowings in the previous year; they took 50.3 per cent of them in the latest year. But the totals involved have an ominous look about them. The total borrowed overseas this year almost doubled, from $661.1 million to $1510.5 million, and the repayments (up from $324 million to $761.2 million) increased by a similar percentage.

Overseas borrowing has the advantage of giving an immediate expansionary fillip to the economy, but in the longer term, when debt and interest are repaid, it may have a contractionary influence. Overseas borrowing also avoids the problem of having to compete on the domestic market for funds (which, by crowding out other borrowers, tends to push up interest rates).

Thus the increase in overseas borrowing is consistent with Muldoon's policy of trying to reduce interest rates, and may help his efforts to please the voters by increasing the supply of domestic credit.

But to help gauge the Government's performance and analyse its economic intentions, it would be nice to know just where the Government proposes to borrow its money in the year ahead. Muldoon could oblige by recording the anticipated ratio of internal borrowing against overseas borrowing in his Budgets.

Taxation is the least expansionary method of financing increases in Government spending. The proportion of expenditure financed from taxation in 1980-81 was [illegible] per cent, a significant increase on [illegible] per cent the previous year [illegible] reflection of the [illegible] anxiety to [illegible]. Most of the [illegible]

Comparing Government activities with its Budget estimates	1980 Budget estimates $(000)	Actual Budget transactions nine months to December $(000)	Per cent of Budget Estimate $(000)
Expenditure (net)			
Administration	694	786	113
Foreign Relations	529	578	109
Development & Industry	792	797	101
Education	1231	1292	105
Social Services	2443	2590	106
Health	1327	1356	102
Transport & Communications	345	332	96
Debt Services & misc. investment	954	991	104
Inprests(1)	—	—	—
Sub-Total	8315	8722	105
Supplementaries	250	—	—
Misc, financing Transactions	406	411	101
Total spending	8971	9133	102
Financed from:			
Income tax	5400	5299	98
Customs, sales tax, beer duty	1216	1189	98
Highways tax	182	189	104
Motor spirits tax	137	140	101
Other taxation	219	234	107
Total taxation	7154	7051	98
Interest, profits & misc. receipts	557	558	100
Suspense accounts(2) & trust acct	—	—	—
Total receipts	7711	7609	99
Deficit before borrowing	1260	1524	

(1) Monies spent but not yet classified. (2) Receipts not yet classified.

creasingly from direct taxes. Fifty-eight per cent of Government expenditure was financed from income taxes in 1980-81, an even heavier burden on taxpayers than in the previous year (when income taxes provided 55 per cent) and 1978-79 (51 per cent).

But if the Government is to hold taxation, let alone cut it, then there is bound to be a greater gap next year between state spending and income.

Whatever we consider to be the important points in the latest quarterly summary, the Minister of Finance as usual lets us know in a press release what he thinks they are:

- Total net expenditure increased by 20.4 per cent over the level in the 1979-80 financial year. "This was 0.5 per cent less than was budgeted for in the main supplementary and additional supplementary estimates and reflects the continuing firm control." The deficit before borrowing at the end of the 1980-81 financial year . . . was 6.3 per cent of gross domestic product, compared with 4.98 per cent in 1979-80 and 8.7 per cent in 1975-76.
- Total taxation receipts for 1980-81 were $7,050.8 million, an increase of 7.1 per cent over the 1979-80 level but 1.7 per cent less than the level forecast in the Budget. The reduction results mainly from a fall in income tax receipts from companies.

As we noted in the economics column on March 9, Muldoon seems to be aiming at something other than last year's Budget estimate — an estimate of a Budget deficit which takes into account the main, supplementary and additional supplementary estimates. As mere taxpayers, we do not know what that target is, and can only marvel when Muldoon tells us how close he has come to hitting it. Without knowing Muldoon's targets we have gone back to the Budget for our appraisal. [illegible]

absolute terms, of course, it is an increase of $150 million above the Budget estimate.

And while spending is up 2 per cent, tax revenues are down by 1.7 per cent, which points to the limited flexibility the Government has in trying to negotiate a tax-wage bargain with the trade unions.

The drop in company tax does not reflect a significant fall-off in company earnings. Rather, it underlines the success of the Government's export incentives, mostly enjoyed by manufacturing exporters and the forestry giants.

The deficit in the Consolidated Account would have been greater, but for a bit of legally permissible topping up.

Last year, Parliament was considerate enough to pass the Appropriation Acts which authorised the transfers of $1250 million from the Loans Account. Muldoon has taken advantage of this to transfer $956 million, an increase of $278 million over the amount transferred in 1978-80 (deemed necessary to cover the "lower than expected income tax receipts and generally to maintain a stable level of economic activity," as he explained, although the Controller and Auditor-General takes a more critical view).

Muldoon has also dipped into the Reserve Account to the tune of $80 million — a sum which had been transferred to the Reserve Account at the end of the 1979-80 financial year, to cover the backdating element of the general adjustment granted to public servants from November 10 1979 and paid out in May 1980.

As a juggling act, it's perhaps worth a round of applause for showmanship. But public spectators are apt to lose sight of the items being tossed around by a skilled juggler — and the point of public accounts is to allow the public a good hard look at the Government's performance.

Airline's reply raises more questions than answers

Special Correspondent

THE answers given by the board of directors of Air New Zealand to the series of questions posed by Prime Minister Rob Muldoon, on its actions following the Erebus disaster, threw up as many queries for the future, as matters they resolved.

Almost inevitably in a situation where High Court action is pending and police are making investigations which could lead to criminal proceedings, a degree of "fudging" stood out.

A question of importance is raised by the board's informing Muldoon that in complying with legal requirements to search all company minutes relating to Antarctic flights for the Royal Commission, the company secretary did so only in respect of the period before the crash. That this was the course followed is the reason legal experts involved in the commission proceedings were later surprised to hear Wellington lawyer and board member Des Dalgety talking of discussion of events at board sub-committee meetings following the disaster.

It is unlikely that at these meetings anything would have been put in writing that may have contributed to an adverse finding against the airline, and it is, therefore, doubtful the commission would have learnt much from minutes of these discussions. But suspicions are aroused.

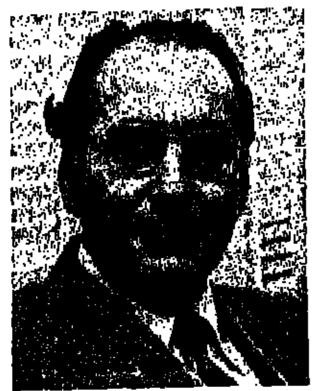
On the destruction of documents, the board told the Prime Minister: "The chairman and the board were advised at an early stage (before December 5 — a week after the crash) that an investigating committee had been set up by management with the task of collecting and collating all documents and materials which could be relevant to the Erebus accident."

Here we have a firm declaration of the board being told of collection and collation.

Further on the answers said there was never a decision to destroy certain documents . . . "what is being discussed is a decision to dispose of surplus copies of documents".

The answers continued: "It was decided by the chief executive that in the interests of security, having regard to leaks in the past, surplus copies of documents on the master file should be disposed on the very clear understanding that one copy of every document would be retained on the master file."

The answers said there was no recorded advice of the decision to dispose of surplus



Des Dalgety . . . talked of sub-committee discussions.

documents being given to a board meeting.

"It seems the chief executive did advise some board members at an informal evening meeting on January 22 1980, that this course had been followed.

"Some board members recall receipt of this advice and some do not. There is, however, a general recollection as has been indicated that one complete master file had been assembled and some members recall a reference to the danger of undesirable leakages.

"As to the question of the reaction of board members to the advice that surplus copies of documents had been disposed of, there was no reaction of alarm because the course seemed sensible and prudent.

"It is only in the light of the commission's report that a sinister connotation is thrown on that decision."

The question arises that if it was good enough to inform the board in what seems to have been a fairly formal manner, by the strength of the assertion, of the collection and collation, why was there not a similar notification of the disposal of documents?

The board's answers seem to indicate that all was not "tidy" in the area of information on disposal of the documents.

Destruction of documents with public implications once seemed to be a preserve of such international giants as International Telephone and Telegraph.

To suggest that directors with the background of those on the Air New Zealand board would not be aware of the connotation which could be attached to their chief executive's decision seems to be stretching the credibility of the public.

But the answers do not make clear that the board itself unanimously supported the decison to destroy documents.

Perhaps probes yet to come will show there was dissent over some of the actions taken — actions which some 18 months after the disaster have contributed to the cloud of unwanted suspicion which still attaches to the airline.

ALP supports passport plan

AUSTRALIAN Labour Party shadow minister for immigration, Mick Young, says few people could object to the rule requiring travellers from New Zealand to Australia to have passports.

He told *NBR* that moves for travellers from New Zealand to carry some form of identification had been first mooted by the former Labour Minister for Immigration, Clyde Cameron.

One of the main reasons why such measures had not been implemented at the time was the pressure put on the Australian Government by the tourist industry and travel agents.

Young said: "Both the New Zealand and the Australian statistics indicate, however, that there has been a considerable increase in the numbers of New Zealanders wishing to settle in Australia While in 1974-75 there were 3141 New Zealanders settling in Australia, in 1979-80 there were more than 15,500 — that is an increase of 390 per cent.

"Considering permanent and long-term arrivals, some 27,000 New Zealanders settled in Australia last year. Following such a drastic increase, no doubt due to the deteriorating economic conditions in New Zealand, the decision of the Government to introduce passports between the two countries was not altogether unexpected."

A mood of 'beware the Labour, Socred bogymen'?

by Klaus Sorensen

THE sharemarket's progress over the next few months may depend on showings in the political opinion polls, as much as anything else.

Recent weeks have seen numerous theories being produced about what course the market will take up to the election.

Many investors are planning to sell up before the election because of the possibility of a Labour, or even Social Credit victory, or a split Parliament.

Though so far, if the opinion polls are to be trusted, the election trends are going the sharemarket's way — towards a return of "Think Big" National.

Last week's talking point in the market was the letter to clients produced by Auckland brokers Jordan Sandman Smythe and Co which suggested the market would be thrown into reverse by the end of the year.

They based their assessment partly on technical reasons (the end of a very long bull market) and partly on historical precedent, that markets tend to peak in December and then go into a post-election slide the following year.

J S S and Co's letter is unusual because brokers seldom want markets to go down, and any broker who recommends that clients sell out, if the market then keeps rising, is running a much greater risk than a broker who recommends buying, when the market weakens.

The theory seems to be that investors believe losses incurred on a purchase are always recoverable when the market rises, but if a share shoots up after they have sold out, that potential profit is lost forever.

But then understanding the logic which guides investors is just as difficult as predicting the market's behaviour in an election year.

Strictly speaking, the forward showings by Social Credit, and more recently by Labour, should already have sent the market in to a state of high anxiety.

But a sizeable scrip shortage, strong institutional support, and continued takeover activity — and rumours thereof — have seen the market overcome these worries.

To an extent Jordans are echoing what many have been saying — that the market is overdue for a breather (like the downturn in December 1980 following the forestry stocks boom), but there is an equally sizeable body of brokers and institutions who believe the resource and forestry development momentum, which will begin in earnest in 1982, will carry the market through.

Recent weeks have seen the market hover within striking distance of the 700 mark on the NZUC index, but it seems reluctant to break through what is becoming a minor psychological barrier.

And to that extent the market seems to share Jordan Sandman Smythe and Co's sentiment that "the view from the top of a bull market always appears rosy".

Jordans say "the steepness of the price trend over the past 17 months is very apparent but we are cautious for a further sustained lift in the market from this level. For technical reasons, coupled with market sentiment, we may see a further lift in the market to a level of 720 to 730 during the next one to two months".

"Should this further rise eventuate it may signal the end of this bull market phase. It will also signal a 'sell' recommendation in our opinion. We believe clients should now consider a selling stance and profit-taking policy so as to generally reduce exposure in equity shares."

The firm warns clients to be ready to "move at short notice".

"Our prognosis at this point is that share prices will come back around 10 to 20 per cent, and that a NZUC share index level of 550 to 600 is likely between late 1981 and mid 1982."

Jordans then cite their seven negative factors: share prices are ahead of economic reality, election uncertainty and the opinion polls, a downturn in second-half year results, traditional election-year share market behaviour, upward pressure on interest rates, inflation worries, and worsening balance of payments trends.

But just in case they are wrong, Jordans note that "fortunately as with most things in life there is the contrary view, and there are a number of reasons why the market may sustain present price levels".

The firm's four reasons in favour of a firm market are: the scrip shortage, takeovers, tax free dividends and capital gains, and the potential benefits of the energy programme.

Their concluding comment, "no profit is as profit until it is realised" is sure to weigh heavily on those investors already getting jittery.

Of the three political contenders, Social Credit would be the least desirable election winner, from investors' point of view, with its unusual financial attitudes, emphasis on the small businessman and a suspicion of big business.

But Labour is regarded by the market as being hardly any better.

Last week Labour unveiled its alternative "small and medium" business policy. It does little to dispel the market's suspicion of the party.

At first sight a programme to provide financial encouragement to manufacturing and technology type industries could have a beneficial effect to a number of companies listed on the sharemarket.

If the Labour Government discouraged the major developments, companies like Fletcher Challenge and the heavy engineers and contractors would quickly lose their rankings on the sharemarket.

But some compensation might be expected from the market's innovative and more flexible manufacturers as recipients of the proposed encouragement scheme announced last week.

However, it seems the Labour policy is aimed at businesses much smaller than those on the Stock Exchange, and the primary motive is to create employment rather than economic growth.

The two basic arguments centre on whether big business of the Fletcher Challenge variety will be our saviour — through greater exports and added value — or our undoing.

Labour sees the aluminium smelters and the petrochemical and gas conversion plants in the latter light, and believes development of smaller companies will provide more socially acceptable economic progress, along the lines of the Irish Development Authority example.

But judging by last week's policy unveiling, the plans to provide more finance for small business through the DFC, and lower concessional tax rates for companies with retained earnings of less than $15,000, will eliminate all but the smallest companies.

A small-to-medium business policy might be assumed to apply to comanies in the 10 to 1000 employees range — but few listed companies would fit all of Labour's criteria.

Questioned on the definition of a small to medium company, labour's shadow Minister of Trade and Industry, Roger Douglas, told a press conference last week that it was basically "private companies". He said while some might be relatively large, they were the sort of companies who could not raise capital as public companies can.

Labour has set a course of gearing up domestic activity to boost employment. But from the sharemarket's admittedly selfish point of view what's needed is a greater incentive for productive investment to increase overseas exchange earning capacity, rather than a job (and vote) creation scheme.

The business week

Ernest Adams Ltd: net profit for the year ended March 31 was $290,979 (last year $187,128). A final dividend of 8 cents will be paid on July 30.
Allflex Holdings Ltd: net profit for the year ended March 31 was $1,485,048 (last year $1,702,500). A final dividend of 4.75 cents will be paid on July 30.
Canterbury Frozen Meat Ltd and the **Primary Producers Co-operative Society**, of Dunedin, have sorted out their differences that necessitated the calling of an extraordinary general meeting. Two society directors will sit in on the CFM board, and the extraordinary meeting will be abandoned.
Cable Price Downer Ltd: net profit for the year ended March 31 was $10,145,000 (last year $9,646,000). A final dividend of 12 cents will be paid on August 25. A 1-for-5 bonus issue is recommended.
Carter Holt Ltd will buy **Nelson Fisheries Ltd's** processing plant, subject to the examiner of commercial practices' approval.
Colyer Watson Holdings Ltd: unaudited net profit for six months to March 31 was $411,000 (last year $182,000 loss). The interim dividend will be passed.
Crown Consolidated Ltd is completing its takeover of **Gisborne Sheepfarmers Mercantile Co Ltd**, offering two shares for every one of the 17.4 per cent it does not own.
CSR Ltd: net profit for the year ended March 31 was $112 million (last year $77.3 million). A final dividend of 9 cents will be paid on August 4.
David Jones Ltd has sold its 51 per cent holding in **David Jones Household Finance Ltd**, together with its wholly owned subsidiary **St James Insurance Pty Ltd**, to the Australian subsidiary of **Household Finance Corporation**, of Chicago, for $A8.5 million.
Deanes Industries Ltd: net profit for the year ended February 28 was $828,000 (last year $786,000). A final dividend of 5 cents will be paid on June 30.
Feltex Industries Ltd will buy **Allenson Industries Ltd**, now in receivership, as a going concern.
Fisher & Paykel Industries Ltd: net profit for the year ended March 31 was $9.6 million (last year $7.9 million). A final dividend of 11 cents will be paid on July 21.
Goodman Group Ltd: net profit for the year ended March 31 was $6.1 million (last year $3.9 million). A final dividend of 6 cents will be paid and a 1-for-5 bonus issue made.
Grosvenor Properties Ltd: net profit for the year ended March 31 was $175,283 (last year $157,639). A final dividend of 4 cents will be paid on September 30.
Hauraki Enterprises Ltd: net profit for the year ended March 31 was $700,022 (last year $640,042). A final dividend of 7 cents will be paid.
ICI New Zealand Ltd: unaudited net profit for six months to March 31 was $3,425,000 (last year $3,106,000). An interim dividend of 6 cents will be paid on August 12.
Independent Newspapers Ltd: net profit for the year ended March 31 was $3.2 million (last year $1,484,000). A final dividend of 8 cents will be paid on August 6 and a 1-for-10 bonus issue made.
Joseph Nathan Holdings Ltd: unaudited net profit for seven months to March 31 was $80,118 (last year $57,847). A dividend of 6½ per cent will be paid on July 7.
New Zealand Motor Corporation Ltd: net profit for the year ended March 31 was $4,981,000 (last year $4,615,000). A final dividend of 9 cents will be paid on August 11 and a 1-for-9 bonus issue will be made.
New Zealand Steel Ltd: net profit for the year ended March 31 was $11,833,000 (last year $13,360,000). A final dividend of 9 cents will be paid on August 20.
Steel and Tube Holdings Ltd: net profit for the year ended March 31 was $3.8 million (last year $3.3 million). A final dividend of 5 cents will be paid on August 19.

Exchange rates

AS at June 11, NZ dollar sells at:

Britain	.4340
US	.8510
Canada	1.0266
Australia	.7537
Fiji	.7406
Austria	14.21
Belgium	32.84
China	1.4875
Denmark	6.3123
France	4.7795
Greece	48.91
Hong Kong	4.6715
India	7.2863
Ireland	.5526
Italy	1002.52
Japan	191.65
Malaysia	1.9937
Netherlands	2.2402
New Caledonia and Tahiti	86.90
Norway	4.9930
Pakistan	8.3124
Portugal	53.40
Singapore	1.8193
South Africa	.7331
Spain	80.25
Sweden	4.2785
Switzerland	1.7776
West Germany	2.0162
Western Samoa	.8853

Stock Exchange weekly review

FOR WEEK FRIDAY JUNE 5 TO THURSDAY JUNE 11

	Last sale	Week's high	Week's low	Turnover
Haywrights 5 pref	65	---	---	0
Healing	285	292	285	16650
12% conv pr	268	270	268	1000
H Pollard	520	520	520	4040
10% conv pr	400	400	400	1300
Henry Berry, 50c	190	193	188	13000
10% debs	235	---	---	0
Holeproof	360	370	360	1500
Hooker, 50c	73	---	---	0
Hume Industries	160	167	160	6500
5-7.5% pt pr	42	---	---	0
I C I (Aust)	166	---	---	0
I C I (NZ)	226	227	223	38600
Ind Broadcasting	110	---	---	0
Independent News	225	225	225	3300
Ind Chem, 50c	225	225	225	500
Intertasman NZ, 50c	---	...	...	0
I W Dow, 50c	255	257	250	146300
James Smith, 50c	84	88	84	130300
14% conv pr	60	60	60	0
12% conv pr	65	---	---	0
J Burns	103	106	103	13800
12% conv pr	210	210	210	200
John Edmond	275	275	275	800
J Webster, 50c	70	70	70	2700
12% conv pr	53	53	52	800
J Nathan	130	130	130	700
6.5% pr	125	...	...	0
J Rattray	226	226	226	4700
12.5% conv pr	180	180	165	0
L W Rudkin, 50c	86	94	86	73900
12% conv pr	120	120	120	0
Lanes, 50c	65	68	65	6600
L D Nathan	246	250	245	100200
9.5% conv debs	227	227	227	0
15.5% conv pr 90	230	230	225	300
Leyland, 50c	190	190	190	1100
Lion, 50c	150	153	150	180200
10% conv pr	152	152	148	15700
12% conv pr	118	118	118	8500
L & M Oil, 50c	39	39	35	20400
Lusteroid	270	270	270	300
Mainzeal Corp, 50c	185	185	185	100
15% conv pr	80	...	---	0
Mair, 50c	300	300	300	4100
11% conv pr	285	285	285	400
Manawatu, 50c	110	110	110	400
Manthel	205	205	205	100
Marac	460	460	445	7700
McAlpine, 50c	110	110	105	305000
McKechnie	250	250	250	1500
Midland	195	195	195	700
11% conv pr	170	...	--	0
Min Resources, 20c	120	118	108	201600
M O'Brien, 50c	68	70	68	5800
12% conv pr	50	-	..	0
spec pr	55	...	..	0
Montana, 50c	158	158	158	4540
M P I M	205	205	205	900
11% conv nts	170	...	...	0
Motor Holds, 50c	202	203	198	60100
12.5% pr	102	---	---	0
Motor Trad, 50c	74	74	73	13100
5-6% pr	60	---	---	0
11.5% conv pr	65	67	65	1300
MSI Corpn, 50c	103	103	98	178000
12% conv pr	102	102	100	1300
Mt Cook	193	193	190	32800
M I M Holds, 50c	750	---	---	0
Nat Insce, 50c	310	310	308	32000
National Trading	---	...	---	0
8% pr	...	---	---	0
Naylor	150	---	---	0
5% pr	30	...	---	0
Neil Holdings, 50c	82	84	80	37100
N Z Cement	155	155	145	7900
N Z F C, 50c	143	143	142	11900
11% conv pr	120	120	120	800
N Z Farm Fert	215	218	215	17800
12% conv pr	180	---	...	0
14% conv pr	167	168	167	200
N Z F P	430	435	430	118000
N Z I G	450	450	440	18400
N Z I	380	---	---	0
10% conv pr	305	305	300	15900
N Z Leathers	45	45	45	400
N Z Motor Bodies	86	88	86	3000
N Z M C	205	205	195	24100
N Z News	240	240	228	6200
N Z Petrol, 50c	700	700	695	1000
N Z Refining	165	165	160	13800
NZSB	105	107	105	372800
N Z Steel	228	230	220	52800
N Z United	1000	---	---	0
Nuhaka	260	---	---	0
Odlins, 50c	104	107	104	74000
'A' 8% pr	88	---	---	0
12.5% conv pr	78	78	72	800
'B' 13% conv pr	76	76	76	2300
16% conv pr	78	--	--	0
Oil Search	57	57	57	3500
12% conv pr	60	..	-	0
Optic	57	57	57	3500
Otago Press & Prod	146	145	146	800
Pavroc Holdings	240	---	---	0
P D L Holds, 50c	210	210	210	3600
Perm Invest	110	---	---	0
Phillipps & Impey, 50c	230	232	225	21800
Print & Packaging	200	202	200	43200
11.5% conv pr	178	---	---	0
Progressive	484	490	483	15100
12% conv pr	910	910	910	300
Prop Securities, 50c	248	246	195	26600
Prud Building	130	---	---	0
Quill Humphreys, 50c	111	111	111	9300
12% conv pr	100	100	100	200
Radio Avon, 25c	100	125	100	2100
Radio Otago	90	90	90	100
Regina	155	155	142	2200
R & W Hellaby	102	103	101	39500
Reid Farmers	328	---	---	0
Repco (NZ), 50c	92	92	92	12700
Revertex	330	330	325	1600
Rex Consol	340	340	340	13300
conv pr	165	165	165	1500
Rheem, 50c	220	220	200	32000
Ricketon, 50c	242	---	---	0
Rothmans, 50c	160	160	148	87800
R W Saunders	270	270	270	400
Selmond	225	225	220	2400
Sanford	122	---	---	0
pr	310	310	310	100
12% conv pr	300	---	---	0
12% 'B' conv pr	278	---	---	0
Schofield	160	160	150	2500
Scott, 50c	99	100	99	35200
12.5% conv pr	93	--	--	0
Selby	270	270	270	5600
Skellerup, 50c	375	385	380	3900
5-7.5% pr	40	--	-	0
Smith Biolab, 50c	185	188	182	21400
12% conv pr	148	150	148	82300
Smiths C M	160	164	160	4900
Sthn Cross Hotel	150	---	---	0
Sthn Cross Mins, 20c	60	62	48	41800
S F M	275	280	275	44200
Spedding, 50c	70	70	70	12700

	Last sale	Week's high	Week's low	Turnover
12% conv pr	75	75	73	9800
Steel & Tube, 50c	142	142	136	33800
Suckling	158	158	158	5000
Taylors	170	---	---	0
12% conv pr	150	...	...	0
Teltherm	163	163	160	9600
12% conv pr	136	136	120	200
T J Edmonds	305	305	305	1100
Tolley	188	190	188	2600
Tour Fiji	38	---	---	0
Trans Ashburton, 50c	60	60	60	2900
TNL Group, 50c	122	123	120	40400
10% conv pr	87	87	85	6100
12% conv pr	102	102	101	7200
Trans (Nth Cant)	135	135	135	800
13.5% conv pr	115	115	115	100
15% conv pr	115	115	115	200
U E B, 50c	125	126	122	83300
6.5-7.5% pr	115	...	...	0
12% conv pr	101	101	100	5800
15% conv pr	70	71	70	10800
Union Steam Ship	82	...	...	0
5.5% pr	78	...	...	0
United Bldg	105	.	...	0
United Publishing, 50c	290	290	290	100
Vacation, 50c	95	95	92	2100
12% conv pr	70	70	70	200
12.5% conv pr	00	..	.	0
Waitaki-NZR	245	245	235	20600
11.5% conv pr	190	190	105	8100
Walker & Hall	450	..	..	0
Wattie, 50c	183	184	177	181900
12.5% conv pr	110	110	110	4700
Welgas	430	430	430	700
Westbridge	240	240	240	1200
Wilkins & Davies	360	360	350	3400
5.75-7.5% pr	58	..	.	0
W Jeffery	145	145	145	400
12% conv pr	143	...	...	0
Wilson & Horton	445	445	445	400
Wilson Distillers	165	..	...	0
Wilson Neill	118	120	118	22800
12% conv pr	165	165	165	100
Winstone, 50c	75	75	69	102000
12% conv pr	52	56	52	16000
W'Wths (NZ) Props, 200c	68	.	...	0
5.75% pr	72	.	.	0
W'Wths Aust, 50c	245	.	.	0
Wormald	305	305	305	500
5-7.5% pr	112	112	112	200
W Sutherland	110	110	110	1900
Yates Corp	445	455	445	8700
conv pr	170	170	170	200

Small businesses

'Think smaller', opposition parties tell converted

by Allan Parker

THE small business community has suddenly become the darling of the politicians. All three political parties have begun concerted drives to win the hearts and votes of the 100,000 small business operators spread throughout the hustings.

Political support or otherwise for small business is rapidly becoming a major election issue in the face of the Government's "Think Big" platform.

The major projects programme devised by the Government has undoubtedly disaffected many small business operators, who feel neglected in the rush for oil riches.

Like all good marketers, Social Credit and Labour have spied the market gap and have begun cosying up to the significant sector with promises that they can fill it.

Social Credit, in particular, has made a strong play on its fears that big is booming at its expense.

In a recent issue of *Management* magazine, the league's leader Bruce Beetham outlined the Social Credit attitude towards small business.

"We have always stood firmly for the small individual entrepreneur. We have always stood four square for individual initiative and enterprise. We've always stood strongly behind the belief that the producing assets of this country should be spread across as many individual citizens as possible."

Honing in on the special fears of the sector, Beetham promised to strip big business of "its privileges and favours" and transfer them to the small and medium-sized business sector ("which is still by far the biggest employer of labour in this country").

To achieve this, Social Credit has produced a six-point "business package" with which it hopes to woo the small operators.

- Access to "sufficient investment money" at a five per cent interest rate;
- Access to "adequate working funds", again at 5 to 6 per cent;
- A "substantial" reduction on company taxation, with the first $10,000 profit tax-free and further profit put on a graded scale up to 45 cents in the dollar. ("Larger monopolies and conglomerates" — undefined — would automatically pay this top rate, says Beetham);
- A stock replacement tax allowance of 5 per cent;
- Progressive removal of double taxation; and
- Removal of "unnecessary bureaucratic red tape".

This last point has also been seized on by the Labour Party in its package for small business, released last week. Leader Bill Rowling and industry spokesman Roger Douglas both recognised that red tape is, in fact, one of the biggest hurdles small, harassed business owners and managers face.

Labour has thus proposed a "one stop-shop" at relevant government departments where all relevant information, forms and guides relating to central government assistance requirements can be picked up.

Labour's financial package centres, like Social Credit's, on tax relief.

The party promises:

- For the "genuine" small business, tax on the first $15,000 of retained earnings will be at 25 per cent;
- A tax-based employment programme is aimed at encouraging job creation in the sector;
- A review of the entire sales tax area, designed to remove distortions and extra costs; and
- A review of export incentives, again to remove distortions "which currently make it very difficult for small business to operate".

Development finance and setting-up finance will also be made available, according to the Labour package. For example, up to 50 per cent of establishment costs could be provided.

The party has also promised beefed up management assistance through the Small Business Agency and a network of private consultants who will be partially funded by a Labour Government.

National, meanwhile, has belatedly come to the party. It has revised its "Think Big" slogan to "Think Growth", recognising the damaging image the original catch phrase developed.

And National MPs have begun emphasising the work their Government has done in assisting small businesses in recent years.

Trade and Industry second-in-command Keith Allen, for example, recently told Morrinsville faithfuls that the Government has not ignored small business.

He cited the creation of the Small Business Agency and a host of services, incentives and assistance available through various government departments.

National has not released a specific policy for small business and is currently relying on its track record to prove its support for the smaller elements of the commercial community.

Allen, for instance, rattled off a 26-point checklist of action "for a small business manager wishing to take full advantage of the wide range of services and assistance available from the Government sector, including Government-funded bodies".

The Government is also stressing its belief that the major projects will create spin-off opportunities for small business participation and expansion.

(Interestingly, the Government appears to be toning down its original claims that the "Think Big" programme will create more than 400,000 jobs — according to Allen, that figure is now a "reliable estimate".)

Business

Analysing annual accounts: NZ United Corp

by Klaus Sorensen

NEW ZEALAND United Corporation Ltd tends to play down its success on the sharemarket, in the 1981 annual report.

But shareholders with a penchant for rummaging through the notes to the company's annual accounts will find the company did startlingly well.

According to Chairman Frank Renouf, "the prolonged buoyancy of share markets in New Zealand, Australia and America, produced a trading climate in which we operated to maximum advantage.

"Energy stocks in particular enjoyed a boom year and while the 'bloom came off the rose' in the last quarter, our strong cash position at that time ensured that earlier profits were not eroded by end of year shortfalls".

The consolidated balance sheet shows investments increased from $2,325,000 to $2,794,000, which does not in itself imply any sort of boom in the portfolio.

The relevant note to the accounts explains that investments comprise shares in associated company at cost of $499,000, plus the equity earnings since the date of acquisition of $734,000 (compared with $678,000 last year), plus investments in listed companies of $1,390,000 ($974,000 in 1980) and investments in other companies of $171,000 ($174,000).

But it transpires from the notes on accounting policies that the market values of the investments in listed companies is considerably higher than the cost valuations in the balance sheet.

The note on valuation of assets states that "investment in listed companies quoted on a prescribed stock exchange at cost (market value at March 31 1981 was $3,856,789, and at March 31 1980 $1,906,551. The market value of the investment in our associated company at March 31 1981 was $1,741,270 and March 31 1980 $1,466,332)".

Though the market value of the associated company investment at $1,741,270 is considerably above the cost value of $499,000 shown in the accounts, the increase over the 1980 market value of $1,466,332 is comparatively modest.

But the increase in the market value of shares held at March 31 1981 of $3,856,789 is much greater than the 1980 market value of $1,906,551.

The 1980 "profit" on the investment in listed companies (that is, the excess of market value over cost) was $932,551, but this had grown to a "profit" of $2,466,789 by the March 31 1981 balance date.

So the 1981 gain from share investment was $1,534,238, which is handsome in itself but a particularly good result from a relatively small portfolio base.

But even the disclosure of unrealised gains from the share portfolio does not tell the whole story.

The company's long-term holdings are under the "investments" heading, but current assets include an item for "trading securities" which increased in the year from $1,105,000 to $2,818,000. This category would include the company's day-to-day trading portfolio, and while this is probably where the real big money was made, there is no explanation or breakdown in the notes.

The report itself is good with interesting observations on the financial scene from Renouf, but there are a couple of aspects which are less than explicit.

The profit and loss account does not provide turnover or gross profit figures, instead offering only an operating profit ($2,909,000 as against $1,260,000 in 1980). Though the notes provide more detail, they do not tell shareholders what operating expenses were.

Income consisted of government and local authority securities $1,730,000 ($1,320,000), "other investments" of $6,397,000 ($4,661,000) plus fees services, underwriting commissions lease and trading profits on securities, up from $2,015,000 to $4,798,000.

Expenses were; interest on debentures and fixed loan of $127,000 ($132,000), interest "other" of $8,450,000 ($5,452,000), audit fees were $32,000 ($26,000) depreciation was $60,000 ($49,000) and directors fees were up from $35,000 to $51,000.

Total income increased 62 per cent from $7,996,000 to $12,925,000, mainly due to the more than doubled profits from fees, underwriting, and trading profits.

Expenses were up from $5,694,000 to $8,720,000, leaving a surplus of $4,205,000 compared with $2,302,000 in 1980.

The company does not disclose its operating costs, but the difference between the surplus and the disclosed operating profit suggests operating costs of $1,296,000 compared with $1,042,000 in 1980.

The operating profit was boosted by dividends up from $282,000 to $802,000 (due to dividends from the former 24 per cent investment in Carter Holt, according to Renouf) leaving a pre-tax profit of $3,711,000, compared with $1,542,000 in 1980. Tax was up from $475,000 to $1,252,000, less a $32,000 transfer from the income equalisation account.

Including a $31,000 share of retained profits of the associated company ($67,000 in 1980), the net profit was $2,522,000 compared with $1,166,000 in 1980.

The balance sheet shows shareholders' funds increased from $5,845,000 to $7,437,000.

Offshore borrowings were up from $15,092,000 to $16,119,000, long-term liabilities were down from $599,000 to $545,000 and current liabilities were up from $35,612,000 to $56,601,000.

The main increase in borrowings (including bank overdraft), from $33.6 million to $52.3 million, was due to an increase in sundry deposits, from $31.9 million to $51.5 million, including $29.3 million secured.

Fixed assets climbed slightly from $358,000 to $378,000, investments, as already referred to, were up from $2.3 million to $2.8 million while lease receivables showed a big increase from $3.3 million to $6.9 million.

Offshore borrowing on-lent was $14.6 million, compared with $13.9 million, while total current assets increased from $37.8 million to $56.9 million.

Renouf notes in his review that the company experienced an unusual phenomenon "in that all divisions enjoyed a strong forward momentum". This was particularly appropriate in the company's "gold key" year (21st anniversary), he says.

The profit returned 91.3 cents a share on capital increased by a one-for-three bonus issue and a one-for-eight cash issue during 1980, and as it turned out the return on shareholders' funds of 34 per cent was well above the directors original minimum target of the annual rate of inflation.

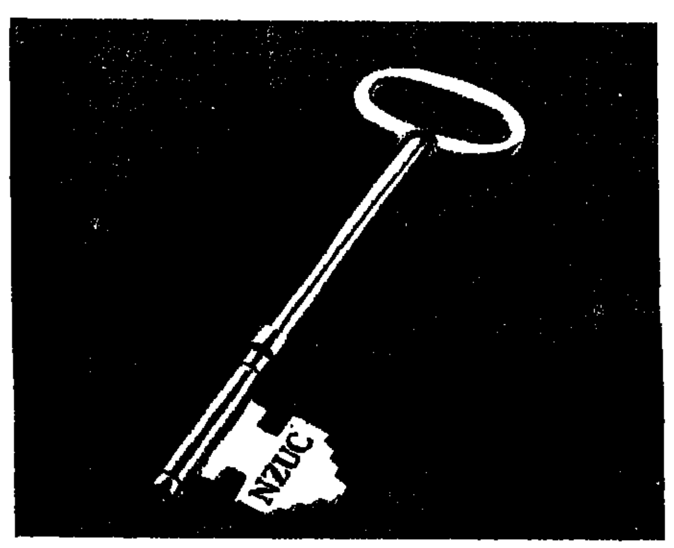
When the company made its issues in 1980 the directors indicated a minimum 20 per cent payment would be possible.

But shareholders will be pleased to see that the company has an earnings-related dividend policy — Renouf says that in the event, the dividend paid for the year was 45 per cent, and while this was a big increase over the earlier projections "it is in line with earlier stated policy of having a positive correlation between annual profitability and dividends".

He also reveals that the company is planning to step up its leasing activity in the current year.

The leasing subsidiary NZUC Finance Ltd "had a particularly busy year with the level of outstandings almost doubling to $8.9 million. Some of these have been funded offshore on back-to-back arrangements with no foreign exchange exposures for the group.

"The level of demand for our particular expertise in lease finance is making us reappraise our funding policy and in future we aim to approach the local market more aggressively for debenture borrowings."



NZUC's 21st . . . real gold on the Quay.

The directors are proposing to fix their remuneration for the year commencing April 1 1981 at $70,000 (last year $35,000) — but in view of the year's dividend increase shareholders are hardly entitled to complain.

AFTER reporter Allan Parker's seven-week examination of the Government's resource development strategy and the problems inherent in its implementation, the issue is now with NBR readers, whose ideas are being published each week.

Late last year we sought ideas from readers for making use of our limited, though relatively cheap, energy resources and our surplus labour.

Our intention was to show that there were a number of ways to use our scarce resources that either singly or in aggregate might produce national benefits as great as those produced by the proposed aluminium smelter at Aramoana.

Readers' ideas have been considered by NBR in terms of their potential national benefit, their approximate rate of return, the number of new jobs created in relation to the amount invested in the project, the foreign exchange benefits and the amount of foreign investment generated, if any.

Selected submissions are not being published in any order of preference.

This week's contribution was submitted by a senior Wellington insurance underwriter.

Time to switch to electric cars

THIS is just the germ of an idea, but with Government encouragement and low-cost financial help we should build — in the South Island — a factory to make complete electrically-powered cars and commercial vehicles.

The technology is well understood. A successful prototype vehicle was shown around New Zealand a few years ago by D Byers, of Canterbury University, and was capable of completing all running tests assigned to it.

A very high New Zealand indigenous resource content can be achieved, at a guess, more than 90 per cent.

Many jobs will be created both up and downstream of the factory(ies).

The distribution system for re-energisation of lead-acid battery packs already exists — there are millions of three-point plugs throughout the country.

The production costs of hydro power are on a low-curve and only remotely influenced by extraneous, high-curve, other-type energy costs. The cost of energy for these vehicles is therefore protected from the impact of inflation to a great extent.

The more electric vehicles we put on the road, the more will our dependence on oil imports diminish and the more freedom we shall have to spend our overseas earnings on other things.

When the long-expected design improvements in battery construction and performance become available, New Zealand will be in a well-tailored position to extract the fullest advantage from them.

The use of electric vehicles does nothing to pollute the environment. The silent-running characteristics will reduce noise-pollution in a dramatic way.

With the experience gained from the developmental processes, New Zealand could rapidly become a world leader in this field and an exporter of both vehicles and know-how.

We avoid the futility of selling off our hydro resource to help us pay for oil to run non-electric vehicles.

The expectation of life of the internal combustion engine is now looking rather limited. Superior technology will enable a global transition to the use of other energy forms. Electricity is likely to be one of them as far ahead as we can see. There must, therefore, be long-term spin-off advantages to the countries who make themselves electricity-orientated first.

The cars may not have a ready market initially because:

- The present cruising range using standard batteries is probably no more than 80 km before recharge. But battery technology will tend to improve rapidly with the need for it.

Recharge facilities by way of battery-pack swap depots will tend to emerge. Inertia-flywheel recharge design will become available in over-run and braking of vehicle. The high and increasing cost of oil energy will make the alternative more attractive to the user. The user will devote more thought to trip-planning and develop miserly vehicle-use patterns.

- The cost of the electric-powered vehicle at first may be a little higher. But economy of running costs will more than restore the balance. The vehicle life will be much longer. The rate of vehicle depreciation will be less.

- Private enterprise may stand off large capital investment. But it could be tempted by Government guarantee. Encouragement by way of tax-immunity for establishment period would possibly tip the balance. The Government should certainly be prepared to finance a short-track feasibility study. Our princes of industry should snap up the chance at a no-cost look at the matter.

- The lead time to commercial scale production is too long and the hydro energy during that time will therefore go to waste. But we could use some of the other ideas to mop it up during the interim.

Another fresh breath of JK's liberal economic 'heresy'

by Gordon McLauchlan

THERE is no non-fiction writer whose work I await more eagerly than John Kenneth Galbraith, the Canadian-born economic prophet; and his latest book — memoirs called *A Life in Our Times* — is as rewarding as I had anticipated it would be.

In a world where radicals gesticulate angrily from one side at a tut-tutting Establishment on the other, it is wondrous to have a man who has been solidly entrenched within the Establishment all his life, attacking it from behind.

The issues central to the disintegration of Western culture are economic; so the world is hanging around for an economist who can provide the theorem that will painlessly cure such social symptoms as inflation and unemployment.

Earlier this century the arguments were among religionists and humanists on whether there is a God and a hereafter; and next among political dogmatists, communists and capitalists, on public or private ownership; but now the arguments are among economic theorists on whether capitalism can be fixed without being dismantled, or at least ... wait for it ... restructured.

On the one hand there is the fundamentalist, Milton Friedman, and on the other, seemingly the last, lonely liberal luminary, Galbraith.

Friedman is winning, perhaps because the monetarist philosophy he espouses can be encapsulated within simple theorems readily transmitted through mass media and therefore understood by large numbers of people. It is also cathartic, seeming to purge the economy without harming those at the higher social levels from which the policy is implemented.

Economists, for example, fix on inflation as the primary socio-economic ill, rather than unemployment, because they are never out of work.

Galbraith, though, is a diagnostician first rather than a miracle healer, and a social visionary who sees the illness of the Western World as complex and endemic and therefore requiring more than a monetarist's catch-cry to achieve a lasting cure.

Friedman has made his case in a book, *Freedom to Choose*, a television series of the same name, and in a thousand speeches and interviews round the world. Unlike most economists, he is fast with a phrase and can reduce complex concepts into what I call Bannerese (few enough words to paint on a banner) which gives him an enormous advantage in the contest to sway public opinion.

Galbraith has been making his case for 20 years in as many books, with growing eloquence and urbanity, a maturing wit, a persuasiveness that I find compelling.

Friedman, in essence, has a simple solution that excites an increasingly conservative society — reduce the amount of money in circulation, dismantle government intervention, thus enhancing the domination of the marketplace.

Galbraith contends that marketplace forces are mostly illusory, that in a corporate society decisions will not be made by a tension between sellers and buyers, but in boardrooms; that sociology, politics and economics are so deeply interwoven that simple monetarist theorems cannot work; that the approach to the future must be with more profound insights that will spread social and economic satisfactions more evenly through society.

By temperament I am a Galbraithian. I distrust simple solutions to complex problems. I can recall the certainty with which businessmen and social commentators predicted only 10 years ago that a rise in unemployment would mean greater competition for jobs and consequently, logically, harder work by those holding jobs.

That rational case, hard to refute then, is seen now to be wrong. Then there was the certainty in those egalitarian days that if New Zealand MPs, Cabinet Ministers and top business executives were paid proportionately more for their greater responsibilities, a clear improvement in the quality of people inhabiting those roles would occur.

That hasn't happened either. We simple have the same drab, system-orientated people doing the same jobs in much the same way for vastly increased remuneration.

Friedman will win in the short-term because he has a simple solution. Galbraith will later emerge as the true prophet because he penetrates more deeply, sees more clearly the basic nature of the problem.

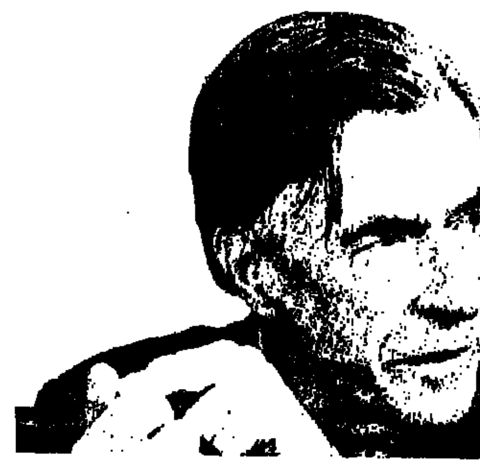
A Life in Our Times gives an historical perspective to that penetrating look at our modern socio-economic society. It is not a bald retelling of the biographical facts of Galbraith's influential life. He is far too opinionated to leave biography at that. At every step of the way he passes judgment — cerebral rather than visceral.

He never moralises, but mercilessly patronises; and I suspect he refurbishes the room of his memory with hindsight to make his part in history more ordered and prophetic than was the reality.

He is so certain of his own intellectual soundness that his egotism can be outrageous. Writing of his education and teaching years he says: "In all five universities . . . I suffered from a problem in personal relations that I never quite overcame. This was not so much from being more versatile, more diligent and perhaps more able than my colleagues. Such can be tolerated. The damage arose from my fear, which I earlier indicated and which I never quite suppressed, that my superiority would not be recognised."

But all through the polished prose of this book there are pearls beautifully strung together into exquisite necklaces:

- "One of my greatest pleasures in writing has come from the thought that perhaps my work might annoy someone of comfortably pretentious position. Then comes the saddening realisation that such people rarely read. There is a theorem to this effect. At Harvard in 1934, I took over the course previously given in agricultural economics by Thomas Nixon Carver, a notable conservative of his time. Were he to be remembered for anything it would be for Carver's Law: 'The trouble with radicals is that they only read radical literature, and the trouble with conservatives is that they don't read anything'."
- "There are important areas of the public polity where the people at large and their legislators agree that so complex or abstruse are the problems that no one can hope to understand them. So there must be delegation to those who, out of knowledge, experience, ignorance or self-assurance, have led themselves and others to believe they do understand. They are the secular priesthood . . . which, it should be observed, naturally associates class interest with valid policy. Decisons of central bankers are in keeping with the interests of the banking community; those by the military on weaponry are never damaging to the military establishment or the weapons industry; those by our diplomats reflect the economic, social and political preferences of the general social class with which the priestly group associates or from which it is drawn."



Galbraith . . . liberal voice in Friedmanian wilderness

The trouble with these knowing observations, these revealing insights is not that no one reads any more, but that few read long enough to catch more than the latest piece of Friedman Bannerese.

A Life in Our Times is not available in New Zealand just yet, but when it is it will add greatly to the education of anyone who wants to understand our times.

Retailing

Charles and Di keeping the shop tills tinkling

by Lindsey Dawson

THE great Royal nuptials are providing booming business in New Zealand. Charles and Di could well be rivalled only by Snoopy, the Wombles and Paddington Bear in their ability to generate sales.

Crown Lynn Potteries has been surprised by the demand for its commemorative earthenware and has had to air freight more four-colour decals from Britain to cope with the demand from retailers.

It is the first time Crown Lynn has produced any Royal pottery since the visit of the Queen and Prince Philip in the 1950s. The company is making gold-edged, six-sided trinket boxes, coffee mugs, fruit saucers and cup, saucer and plate sets bearing the Royal couple's portraits.

Retail prices for the pottery, which will be on sale by the end of this month, will range from $4.95 for the coffee mugs, to $14.95 for the trinket boxes. The pieces are being marketed as "The Royal Wedding Collection".

Sales manager Doug Robertson said that Crown Lynn had had to work fast to produce the range because of the "rushed nature of the project. Charles didn't tell us in enough time," he joked.

He said the Royal wedding was providing a bonanza for British bone china manufacturers like Royal Doulton and Wedgewood.

"I believe they started much of their development work in advance of the announcement, leaving the bride-to-be's head unfinished so that the right face could be added."

He said Crown Lynn's royal pottery was not being produced in great quantities — "no more than a couple of thousand trinket boxes for the entire country" — but that sales were quite high on a percentage basis. "We didn't really realise how popular the Royal Family is in New Zealand."

Another Ceramco subsidiary, Titian Potteries, is producing royal wedding coffee mugs. About 5500 of these will retail for around $3.45. And souvenir and manchester shops are filling with Charles and Di tea-towels and other knick-knacks.

At the top end of the market the Archive College of New Zealand is getting heavy orders for items commemorating the wedding.

Chairman Peter Ryan said New Zealanders were keener collectors of royal memorabilia than any other Commonwealth citizens, per head of population, including Britons.

The Archive College, which also has a Sydney office, is offering through direct response advertising solid sterling silver tankards, at $1250 each, crystal goblets featuring a little gold coin tinkling inside a hollow bubble in the stem, for $95 each, and gold and silver medals.

People buy such items as a thing of beauty to be appreciated, as well as from the investment angle, he said.

"But its a long-term investment. I once sold in Australia gold plates with 20 oz of 22 carat gold for $2500. When the price of gold rose to almost $1000, those clients obviously could have realized a huge return on their investment. But of course that was a rare occasion."

Ryan deals only with highly reputable firms, usually centuries old, which hold royal warrants, and has agencies for New Zealand and Australia.

All items on sale are produced in limited editions. Only 500 of the silver tankards have been produced by Birmingham Mint for world-wide sale with a small allocation to New Zealand.

The Australians

Bureaucratic privilege

SUPERANNUATION benefits enjoyed by Australia's public servants are far ahead of those provided by other schemes.

The Australian Government Actuary has said that the costs of the public service supperannuation scheme are so great that no competitive enterprise could cope with such a handicap.

On retirement at the age of 55 a public servant gets a lump sum equal to a return of all his contributions to the fund (5 per cent of salary) and compound interest thereon or an equivalent pension, plus a pension of up to 52½ per cent of final salary, fully indexed for cost of living rises. In addition, in the case of illness, the public servant can retire on a fully indexed pension of up to 70 per cent of salary.

Increasing numbers are taking advantage of this provision.

The 1980 report of the Public Service Board shows that in 1979 there were 1496 retired because of invalidity compared with 639 because of age.

Nearly one-third of the invalid retirements were due to "neurosis".

According to the Life Insurance Federation of Australia these benefits far outstrip anything that could be provided by private enterprise.

It has estimated that to match the public service scheme, a private employer would have to make contributions equal to about 40 per cent of his total salary bill, whereas the usual contributions in Australia are around 5 to 10 per cent.

Rugby tour reprisals inevitable, over wide front

NEW ZEALAND is unlikely to avoid reprisals if the Springbok tour proceeds.

Sportsmen will be hardest hit, as they find themselves outcasts in the world sporting arenas.

But the Springbok tour will be politically damaging, too.

Australian Prime Minister Malcolm Fraser is making clear the differences between his Government's policy towards South Africa and the New Zealand Government's attitude.

At stake is the Commonwealth Prime Ministers' conference in Melbourne later this year. Commonwealth observers believe Fraser wants to use the conference as a platform to push the North-South dialogue, which has been bogged down since the Brandt Commission's report in 1979.

A conference feuding over the Springbok tour would deprive him of that chance, (and a possible place in history).

The Australian Government's concern about the tour is also linked to its readiness to answer newly independent Zimbabwe's request for teachers. Establishment of a diplomatic mission in Salisbury, in the wake of that request, takes Australia's representation on the continent to four posts.

New Zealand has no resident diplomatic representatives on the African continent. For trade purposes, our London post covers West Africa, and Athens covers East and Southern Africa, excluding South Africa.

New Zealand could find itself losing face at the United Nations. It has a one-in-two chance of being nominated for a seat on the United Nations' powerful Security Council later this year by the bloc of Western and other countries.

The Netherlands and a Scandanavian nation are the other two on the provisional short list of contenders for the two nominations by the bloc for the Security Council. Normally nominations are accepted without challenge.

But it is considered unlikely that New Zealand's nomination would be allowed to go forward unchallenged by the Black African nations.

New Zealand's one and only international jurist, Quentin Baxter, working for the International Law Commission, based in Geneva, also faces an election this year. Normally his reelection would be a formality. But if the South African touring party touches down on New Zealand soil, officials are privately saying that Baxter will be opposed and is unlikely to succeed.

Although officials doubt that New Zealand is about to become a leper outcast, Foreign Affairs Minister Brian Talboys has said the tour "will create the opportunity for others to be half-hearted towards us".

As the Government's most fervent anti-tour spokesman, he is being shunned even by people in his own electorate.

He has pointed out several times that New Zealanders subjected to a similar regime as that applying to blacks in South Africa would fight for their political freedom.

While that view may be shared by many New Zealanders, Talboys considers there is not enough understanding overseas of the role rugby has played in New Zealand.

"Rugby has played a significant role in shaping New Zealand society, in building relationships between Maori and Europeans," he says.

"It is a problem a lot of New Zealanders have recognised and, knowing that, find it difficult to understand why others cannot grasp why it is not a question of racial attitudes at all.

"It is a fact that concerns me."

Talboys says the tour is testing the nation's maturity. "We have been remarkably sheltered. Now we are coming into contact with the real world."

And he fears that when those strongly opposed to the New Zealand attitude take their reprisals, New Zealanders will cry unjust and turn inward, contending they alone are right.

That attitude could lead to isolation.

But Talboys doubts the tour will affect trade with Black Africa, whose imports of New Zealand produce are miniscule and unlikely to figure large in the forseeable future.

In Asia, the tour has rarely been raised and then only as questioning why a game of rugby was causing so much fuss, he said.

Already there is some sympathy for the Government's position. Under the Gleneagles Agreement it has fulfilled its obligations, and statements by Talboys and Prime Minister Rob Muldoon calling on the New Zealand Rugby Union to cancel the tour have been recognised by the Supreme Council for Sport in Africa, the United Nations Special Committee against Apartheid and the Commonwealth secretariat.

In terms of the agreement, the Government can argue it has "taken every practical step to discourage contact or competition by their nationals with sporting organisations, teams or sportsmen from South Africa or from any other country where sports are organised on the basis of race, colour or ethnic origin", short of withholding visas.

Now some Commonwealth nations are realising the Gleneagles agreement needs teeth, and there will be moves, in Australia, probably at the Commonwealth leaders' weekend retreat, or in Britain in 1982 to require all member nations to refuse visas to visiting South African sportsmen.

A similar move may emerge from the United Nations Special Committee against Apartheid later this year.

Britain may oppose both moves. At present visiting South Africans do not require visas to enter Britain, although they do New Zealand. But anti-apartheid pressure has successfully prevented invitations being extended to the Springboks or a South African touring cricket team since the mid-1960s.

As a result the public debate has moved on because of what is seen as sleazy bookkeeping by the South African Government, by making moves which can easily be reversed, but not touching the bastions of apartheid.

South African fears of a Black takeover are also being recognised in Britain and by the Reagan administration in the United States. Zimbabwe's independence experiment is being closely watched by its southern neighbour, knowing that Namibia is the next and penultimate target.

For South Africa, the mandate is its last frontier and while the West condemns apartheid it does not want to drive the strategically placed Boers into the proverbial laager.

Nevertheless the Springbok tour will be a significant propaganda victory for the Botha Government, the first major tour to bolster South Africa's national pride for more than a decade.

By providing that opportunity, New Zealand can only lose

English-language Chinese daily beckons NZ interests

by David Robie

FOR New Zealand businessmen trying to get their message across in China, the launching of the first Chinese English-language daily since the founding of the People's Republic 32 years ago is heartening news.

Already Australians have taken advantage of the new paper, *China Daily*, since it officially began publishing this month after appearing three days a week during May.

But then that isn't surprising because one of Australia's major publishing groups, the Melbourne *Age*, has had a hand in producing the paper.

Although published as a sister paper to the official organ of the Chinese Communist Party, the *People's Daily* which has a circulation of more than six million, *China Daily* is surprisingly free of ideological jargon and will initially sell around 20,000 copies.

By the end of the year its circulation should be nudging 50,000 and with about 25 million Chinese learning English the publishers are eventually hoping for a mass circulation.

It is on sale in major Chinese cities such as the capital Beijing, Shanghai and Guangzhou (Canton) and also in Pacific rim cities like Tokyo, Hongkong, Melbourne, Sydney, Los Angeles and San Francisco (no plans for a New Zealand city yet, in spite of our booming trade with China).

In a double-page advertising spread in Hongkong's *Media* magazine just before launching day, the publishers billed the new paper as a "milestone in history".

The blurb pointed out that the paper is read by foreign residents, diplomats, visiting business people and growing numbers of tourists as well as Chinese officials and students.

The paper is also aimed at foreign business people outside the country and overseas Chinese who want to be informed about developments within China.

"*China Daily* is a two-way paper — presenting Chinese news, views and cultural understanding to non-Chinese and all of that, plus world news, to the ever-increasing number of Chinese officials, technical personnel and students who are working in English in order to trade with the West," the blurb said.

David Syme and Company, owners of the *Age*, have played a significant technical and advisory role in the launching of the offset paper.

Through a subsidiary company, Syme Media Enterprises, the publishers have helped install technical equipment and the original *China Daily* "dummy" was prepared in Melbourne.

Jiang Muyue, head of the preparatory committee, and An Wenyi, deputy secretary-general of the *People's Daily*, headed an executive team that visited Melbourne last year where they prepared the dummy and printed it.

The third member of the committee and managing editor of *China Daily* is Feng Xiliang, a former editor of the English-language weekly *Beijing Review*.

Since the beginning of May, the paper produced editions dubbed "trial issues" on three days a week and copies I saw during a recent visit to China were impressive.

The eight-page broadsheet gives major prominence to international news on the front page and at least one other page inside, relying mainly on the national news agency Xinhua and the "big four" world news agencies, Associated Press, United Press International, Reuter and Agence France-Presse.

It also has a strong economics and finance section on page two plus entertainment, sport, general interest and Chinese news sections.

John Lawrence, the editorial adviser "on loan" from the *Age*, is modest about his own vital role in the paper.

"The editing of the paper is in the hands of my Chinese colleagues. We have no influence on policy — and wouldn't want any," the former director of the Nigerian Institute of Journalism told me.

"My job has been mainly the look of the paper. I guess you could say I've looked after the design and layout."

The *Age* group bears no editorial responsibility for the paper at all, which has its policy laid down by the *People's Daily*.

However, its subsidiary Syme Media Enterprises has secured rights to market up to 85 per cent of the total advertising space available. The rest will be marketed within China.

Anti-NZ bias?

AUSTRALIAN Community Relations Commissioner, Al Grasby has criticised the media for what he described as a new interest in denigrating people who had committed crimes and were New Zealand-born.

Grasby told a Sydney meeting that recently there had been a great deal of press concern at importing crime from New Zealand.

He said he had found New Zealand-born people were ranked second in crime statistics to those locally born, but they were a large section of the community, and many had been in Australia for a long time. For that reason their place of birth should not be singled out for emphasis.

"We still commit the most crime, we the locally born," Grasby said.

"The New Zealanders are second on the list. I want to mention that because the stereotype of the New Zealander which breeds discrimination in Sydney, and in other parts of Australia, is quite incredible, particularly in view of the fact that they were considered brothers and sisters in arms throughout the whole of my lifetime.

"Now, because of the media, and other matters, they suddenly turn out to be the centre of all crime and horror."

The commissioner had some consolation for New Zealanders resident in Australia. He said the denigration would "all die away in a couple of years" and some other ethnic group in the Australian community would take their place.

Ooh, aah, Ooh!

How FruJu became a hot property in a frozen market.

It's no secret, the impulse purchase market was a little on the cool side this summer.

But rather than break out the thermal underwear General Foods chose to tackle the problems of a frozen market head-on.

They also chose Colenso to give FruJu a new look and a new personality.

The results were heart-warming to say the least. While many products were feeling the pinch this summer, FruJu was setting all time sales records.

Which only goes to prove that if you know how to turn on the heat you can still break the ice.

General Foods' commitment to aggressive marketing in tough times is the mark of a successful brand leader. It's an attitude we share.

Perhaps that's why Colenso has had more experience with brand leaders over the past decade than any other New Zealand agency. In fact, 75% of our clients are brand leaders. Clients like Cadburys, ICI Tasman, Kentucky Fried Chicken, Johnson & Johnson, Bank of New Zealand and Montana Wines.

We invite you to visit Colenso and examine our track record. We'll show you how our unique advertising philosophy has helped some of New Zealand's most successful companies.

If your brands are starting to look like frozen assets, perhaps it's time to let Colenso help you warm up the market.

Call Roger MacDonnell (Wgtn 843-789) or Gary Gwynne (Auck 771-529)

COLENSO
The agency for brand leadership

Intelligibility, not enforcement, mainly lacking here

by Jack Hodder

AMONG the legislative delights promised in last month's generally spartan Speech from the Throne was "A bill . . . to amend the Transport Act 1962 to provide for more effective enforcement of the 150 kilometre rail restriction".

That promise came the day after the Court of Appeal expressed strong criticism of the drafting of the present rail limit law.

In *Putaruru Deliveries (1958) Ltd v Ministry of Transport (CA 178/80; 27 May 1981)*, Mr Justice Cooke observed that "Persons and courts concerned to ascertain the law in this penal field are confronted with real difficulty in adopting the approach, nearly always attractive, of seeking the natural and ordinary meaning of the words used, for there can hardly be said to be one".

It is the most recent in a long line of judicial criticisms of the legislative drafting in this area: "Obscure and tortuous" are words which fall readily from the lips of those involved with the rail limit law.

Some of the difficulties in applying the present law are well illustrated by the *Putaruru Deliveries* case.

The company held a goods service licence issued under the Transport Act. In November 1977 one of the company's drivers picked up a semi-trailer and full trailer load of timber from NZ Forest Products Ltd's Kinleith mill.

The load was hauled (by a Mercedes towing unit) to Putaruru where it remained overnight. The next day the load was hauled (by a Mack towing unit) from Putaruru to Kihikihi and on to Opunake where the consignee's place of business was.

Unfortunately for the company, the vehicle was stopped by a traffic officer in New Plymouth and this resulted in the company being charged and convicted in the Magistrate's Court of the offence of carrying on a goods service otherwise than in conformity with the licence (ie with the 150 km rail limit — a condition implied into such licences by the Transport Licensing Regulations).

The company appealed unsuccessfully to the Supreme Court and then further to the Court of Appeal — also unsuccessfully.

The Court of Appeal agreed that there were a number of defects in the information which charged the company with the offence: the journey was said to have taken place on one day only; one truck unit only was mentioned; and the "available route" by rail (which the MOT argued should have been used) was not specified. But it held that these were not fatal because the company knew of the prosecution's case before the hearing and there was no miscarriage of justice.

There were warnings as to the impropriety of omitting the "available route" and these should lead to improved drafting of such informations.

The "available route" which the MOT finally specified was: Kinleith to Mangapehi by road; Mangapehi to Eltham by rail; and then from Eltham to Opunake by road again. The Mangapehi-Eltham rail link is longer than 150 km and the total length of the specified route using that link was less than one-third longer in total than the shortest road route available.

That being so, said the MOT, the terms of the rail limit condition in a goods licence require that goods be carried "only as far as is necessary to permit of their carriage by railway".

The company had a promising defence to that formulation. It argued that the presence of a railhead at Kinleith made the "available route" specified by the MOT illegal in terms of the very provisions that the prosecution relied on: If the goods could only be carried to the nearest railway then it would be illegal to carry them from Kinleith to Mangapehi by road; but if the rail journey commenced at Kinleith, the total rail/road journey would be more than one-third longer than the shortest road route and the rail limit would not apply anyway.

Catch 22 for the MOT? Well, no, not exactly. Deep in the turgid prose of section 110 of the Transport Act the Court of Appeal found language which allows some of the rail route to be excluded in computing distances.

Such excluded sections of railway line must also be excluded when considering how far it is necessary to truck goods to "permit of their carriage by railway". Which means that the timber should have been carried by road to Mangapehi, not railed from Kinleith or trucked via New Plymouth.

Another promising defence was that the consignment docket carried on the truck was not a "waybill" as defined in the Act and thus could not be used to prove the truth of its contents. The Act's definition refers to "a document in the prescribed form specifying the goods and the owner of the goods".

The docket in the *Putaruru Deliveries* case specified the goods and named the consignor and the consignee; it did not actually specify the "owner" of the goods.

The court overcame that difficulty with a novel approach. In the context of this legislation (and given the difficulty of defining legal ownership of goods in transit) the court will regard an "owner" as having been specified if the document names a person who can reasonably be inferred to be the owner; in this case it could be inferred that either the consignor or the consignee was the owner — it did not matter which one actually was.

That rather creative approach to the word "specified" meant that the company's appeal could not succeed but it arose in a context which offers some encouragement to transport operators in future cases. The Court of Appeal judges were unanimous (with Mr Justice Somers expressly resiling from an earlier High Court judgment of his) that a document which lacks one of the matters required to be specified cannot be cured by other evidence so as to make the document a "waybill" with its special evidentiary effect.

The *Putaruru Deliveries* case demonstrates that "more effective enforcement" is not exactly what is required of the legislation in this area. Intelligibility would probably suffice.

The chances of attaining it may not be high. As Mr Justice Somers commented, "the draftmanship, never clear, has been further confused by additions to the statute designed to overcome the effect of earlier decisions". This year's statutory addition should enjoy sceptical scrutiny.

US action against Alcoa

THE Aluminium Company of America has formally requested the US District Court in Pennsylvania to dismiss a class action brought against the company in respect to its planned developments in Western Australia.

The class action has been taken by the Conservation Council of Western Australia which is seeking to prevent the continuance of bauxite mining and alumina refining in the Darling Ranges of Western Australia. It alleges these activities cause environmental damage, particularly the destruction of the region's highly-prized Jarrah forests.

The Western Australian conservationists have been joined in their class action by the national body, the Australian Conservation Foundation. But Alcoa has asked the United States District Court to dismiss the action on the grounds that the plaintiff's complaint does not allege any facts to support its claim for relief under the United States legislation cited.

Alcoa also argues that the Australian conservationists lack the legal standing or capacity to sue for a remedy in United States courts.

Moreover, says Alcoa, United States courts do not have the jurisdiction to enforce extraterritorial remedies sought by the plantiffs. Even if the courts had such jurisdiction they should refrain from exercising it, because to do so would infringe Australian sovereignty.

A spokesman for Alcoa in Melbourne said the Australian Federal Government and the Western Australian State Government had both deplored the action taken by the conservationists.

Sir Arvi Parbo, chairman of Alcoa of Australia, said his company was gratified by the measure of support it had received from the community on the issue. He emphasised that the operations of Alcoa of Australia were subject to detailed planning approvals by Australian governments.

It was nonsense, he said, to suggest that it was a giant multinational run from Pittsburgh, because he knew of no decision made by the Australian company where the 51 per cent American shareholder would have used its vote against the wishes of the Australian shareholders.

It was ironical that the conservationists now accusing the company of being an American multinational should seek to use United States courts, he said. They wanted those courts to dictate what may or may not happen in Australia, regardless of the fact that the company's activities had been vetted and approved by Australian authorities.

Choosing decor that leaves imprint on customers

INTERIOR design has surged ahead as business people become increasingly conscious of the impression their premises make on the people with whom they do business. Until recently the high-design emphasis was generally reflected only in the offices of image-conscious advertising agencies, modernistic-minded legal firms and large public companies with shareholders to impress.

In Wellington especially, the building boom put thousands of companies into new offices at a time when the traditional cellular partitioning of half glass and half fibreboard was coming up for review.

But as design-consciousness is raised, companies not generally associated with office style have brought their interiors up to a high finish.

"I don't know how it started," notes Cooper Gyles, general manager of Gyles Printpak, "but it had become almost a tradition for printers to bury themselves in side streets, back alleys, in non-descript buildings as if they were somehow ashamed of their trade."

So when Gyles Printpak consolidated its operations last year by taking over 80,000 sq ft over two floors of the former Sharlands Building at Kaiwharawhara, Wellington, the company decided to do it in style.

Cooper Gyles . . . into the mainstream.

"One of the reasons we took the building was to give ourselves high visibility," Gyles emphasises. "We are a service industry in an area which is even more competitive than most. We want people to know where we are, what we do.

"We don't want our customers to have to consult a map before they can find us."

The other important factor was to bring all the printing and packaging company's operations under one roof and with easy access to the administrative office.

"We wanted to avoid the psychological barrier between the factory and the administration side, and we wanted to eliminate the time that had previously been wasted as people shuttled back and forth between factory and the office."

Above all, Gyles notes, "we wanted the total operation to present the picture of an integrated whole, of a group of people all working toward a single objective — giving service to our customers."

Having taken over the two floors of the huge building, Gyles was concerned that the open expanses of space were not sectionalised and partitioned and cordoned off.

This led to an open plan approach in the factory — and in the office. Gyles engaged Jorgenson Interiors to design the offices and supply the fittings and furniture. The result is a bold, solid colour decor, with shoulder-high standard open-plan partitioning.

"We want to demonstrate to our clients a picture of activity in which everything is fast," Gyles says. "The days when a promise was just a vague undertaking which nobody seriously expected anyone to keep are now over.

"The machinery and the organisation today must be geared to produce work in a short space of time and on time. Clients can no longer afford to maintain the huge long-run inventories that they could 10 years ago."

Gyles wanted his office layout to reflect this brisk approach. He resisted the temptation to give himself a personal office and joined in the open plan with a partitioned off area not much bigger than that provided for the rest of the staff.

"If you close the door on people, you are somehow closing the door on what's going on outside — and I want to know exactly what is going on all the time," Gyles explains.

The only compromise came with an enclosed boardroom at the head of the open plan area. This underlines Gyles Printpak's occupation of that difficult New Zealand sector of the marketplace in which a medium-size firm borders on being a large one.

"The printing and packaging industry even more than most is constantly being gripped by mergers and amalgamations. Our boardroom/conference room is a reminder to our clients that while we inevitably offer a higher degree of personal attention, we can also throw big-company resources into our projects."

Gyles also chose an intensely modernistic approach to offset what he believed was an over-traditional company image.

Gyles is the fourth generation member of his family to run the nearly 100-year-old business. "While it is nice for our customers to know that we have been around since 1887, we don't want them to think that this solid tradition obscures our openness to new ideas."

Accordingly, Gyles selected a rather sharper colour scheme than was at first envisaged by interior designer Arlis Jorgenson. The predominant colours are black, white and green.

"People remember our colour scheme," Gyles says. "It is very distinctive, and like the rest of the layout, very functional. We are first and foremost a factory and our hard-edge styling reflects this priority."

'More market' McLean now thinking longer-term

NBR: The Prime Minister and the president, George Chapman, have concentrated very heavily on the growth strategy in their speeches to party divisional conferences this month and not much has been said about deregulation, a freer economy and so on. Does this mean a shift in emphasis, that the philosophical side has been lost sight of?

McLean: Not really. New Zealand has got two basic economic problems to deal with.

The first one is that we have got to earn enough foreign exchange to allow the economy to grow. Whatever system of economic management there is within the country, we simply have to pay our way in the world. So we've got to have exports, we've got to have foreign exchange, to get economic growth.

by Colin James

IAN McLean invented the phrase "more market" to picture an economy much freer of internal controls and external protection. An economist, the Tarawera MP has been one of the most steadfast voices within the Government caucus arguing for change.

There have been changes: a flexible exchange rate, a less protective textile policy, freezing works delicensing, Saturday trading, a chink in the rigid wall of import licensing.

But not enough and certainly not fast enough, critics of the Government within the National Party continue to argue, though much less publicly now that an election is nigh.

Those critics read with concern an apparent backing off from the "more market" principles by Horowhenua MP Geoff Thompson on his return from the harsh world of Thatcherite Britain where a winter of three million unemployed is predicted.

Thompson said in an interview on these pages (NBR, April 6) that he was "horrified to see the cruelty with which she (the British Prime Minister, Margaret Thatcher) has been applying what she believes to be a fairly strictly monetarist policy".

He said his own attitudes had been modified by his political experience as an MP and he was concerned to see the National Party did not abandon the "middle ground".

Now we find much less attention being paid in the party's internal propaganda to the "more market" theories and a concentration instead on the growth strategy.

How does the "more market" inventor see this apparent shift of emphasis? I put it to McLean in this interview.

The second problem is the slow growth in productivity within New Zealand. Our economic performance within the country has not been good enough. This goes back a long way.

The Prime Minister and George Chapman, and indeed the party as a whole, is concentrating on the shortage of foreign exchange, because since the second rise in oil prices (in 1979) we have had a massive downturn in terms of trade and that's the binding constraint at the present time. That has to be dealt with.

The other problem remains. There has been some progress with it, but it's a more long-term one.

NBR: Long-term in what sense? Do we have to wait until the growth strategy begins to pay dividends before we begin to look at the other?

McLean: No. It is not long-term in that sense. It is long-term in that it requires a change in people's attitudes and a change in institutions, which can't be done overnight.

NBR: A change in people's attitudes requires usually leadership towards the desired attitudes. If there is concentration on the growth strategy and not too much is being said about the philosophical change, the deregulation, etc, is not this failing to provide that sort of leadership?

McLean: The change is taking place. There has been the delicensing of the meat industry, there has been the Shop Trading Hours Act — which is of major importance, not just in that people can shop on Saturdays, but that retailers, even more than before, are looking at what their customers want and when they want to buy and at what their competitors are doing.

> 'We're having to persuade (the people), to demonstrate to them that what happens out there in the world is important, that we have to get the foreign exchange. That is a massive selling job.'

There have been the industry studies which are enabling changes to take place at a pace people can adjust to. Some years ago changes were made in financial institutions.

Change is happening, and people's attitudes are changing.

NBR: So you see the need for leadership as being less important at this time than a couple of years ago? Is the public too limited to absorb more than one strategy at a time?

> '. . . change in people's attitudes to state control and intervention and licensing etc . . . has to be more gradual. Essentially it has to be step by step . . .'

McLean: The issues are quite different and the political issues are quite different.

A lot of people in New Zealand believe that jobs and an improving standard of living can just happen within the coastline of the country. And we're having to persuade them, to demonstrate to them that what happens out there in the world is important, that we have to get the foreign exchange. That is a massive selling job.

In some ways that's much more straightforward than trying to change the attitudes that 40 years of centralised government intervention has brought about in New Zealand.

The need is more dramatic in the area of exports. It's the binding constraint at the moment.

Change in people's attitudes to state control and intervention and licensing etc, has to be more gradual.

Essentially it has to be done step by step, so that as each small step is taken people find that disaster doesn't strike, so that they find the country doesn't collapse because licensing is removed in one area. It has to be a step by step process and it'll continue over many years.

NBR: You don't see any likelihood of any slackening of the momentum?

McLean: No. I don't.

NBR: You also seem to see the problem not so much one of damage to people as one of bringing people along with you in those decisions. In other words, a liberalising decision concerns you less in the sense that it might put people out of work than in the sense of needing to wait for people to absorb that decision and so then be ready to front up to other decisions?

McLean: The liberalisation — if we are talking about Government controls within New Zealand and leaving import licensing aside as a particular and different case — will, I believe, create jobs.

If you've got an inefficient industry which is imposing high costs on everybody who has to buy its products and which can't afford to pay enough for the goods and services it buys, that industry is in fact stealing jobs from other efficient sectors.

Providing the change takes place at a reasonable pace, people can adjust and jobs will be created and not destroyed.

NBR: Do you think, then, the pace needs to be slower than you would have said it could be two or three years ago?

McLean: Two or three years ago I had not appreciated how deeply ingrained was the habit of running to the state every time a problem arose and how most of us have simply got used to that.

The time that is needed for adjustment I now accept is considerably longer than I would have said three years ago.

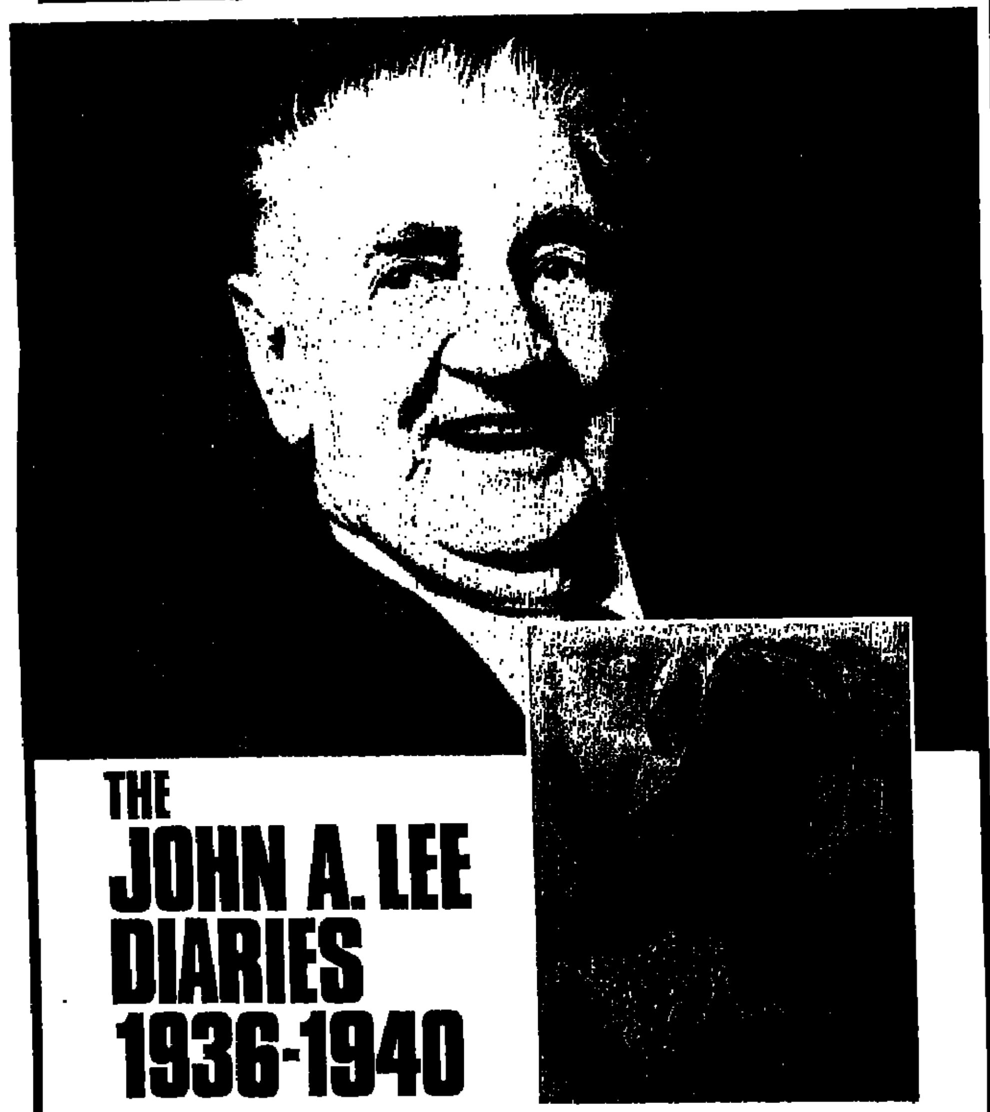
Even three years ago I rejected the sort of cold turkey treatment that took place in Chile, for example, and wouldn't have supported the haste with which Maggie Thatcher is seeking to turn round the British economy.

> 'The time that is needed for adjustment I now accept is considerably longer than I would have said three years ago.'

Now I would be even a little more cautious about the speed at which it can take place. Even the groups within the community who are most actively arguing for economic freedom reserve for their own industry or sector the need for protection.

NBR: So political reality has tempered your economic analysis?

McLean: Not just political reality. The habits of New Zealanders are built in to all the institutions of society — the trade unions, the Employers



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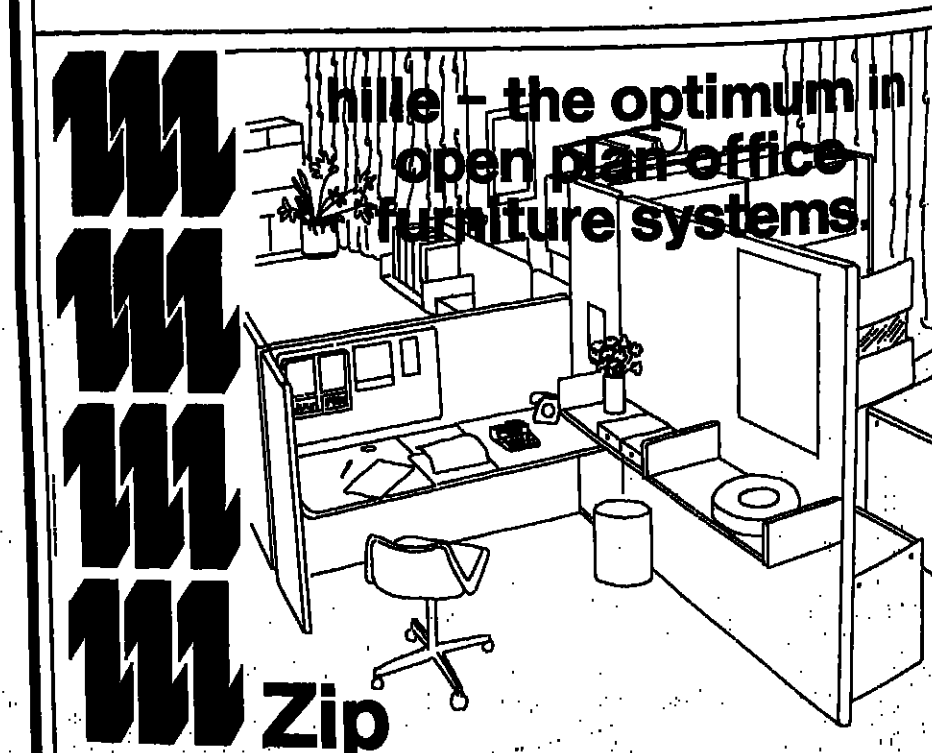

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and leaving the short-term to 'pragmatist' Muldoon

Federation, insurance companies, pressure groups like Federated Farmers and so on — and an overnight change causes uncertainty and fear and may well lead to reduced investment and hence a slowdown in economic growth rather than a speedup.

NBR: How have you become aware of these constraints you are talking about? What are the mechanisms that have brought them to your attention?

McLean: Listening to people, talking to people in my work as an MP. Not just pressure groups but all the individuals in my electorate and in other electorates.

> 'Rob Muldoon's a pragmatist rather than a theorist . . . . He's spent a lifetime listening to New Zealanders and reading their attitudes in politics. And I suppose his arguments have had an effect on me.'

NBR: Also departmental officials? Your parliamentary colleagues?

McLean: No, mostly people. All these issues are discussed daily with colleagues, but they're also in touch with people. Not so much departmental officials.

NBR: To what extent has the Prime Minister's style of economic management brought to your attention these constraints?

McLean: Rob Muldoon's a pragmatist rather than a theorist. He has a very deep and detailed understanding of the New Zealand economy.

He's not the person who climbs on board a white horse and charges up a hill. He's a very practical man.

He's spent a lifetime listening to New Zealanders and reading their attitudes in politics. And I suppose his attitude has had an effect on me. Yes, I wouldn't doubt this. Not so much his attitude, but his arguments.

NBR: Would you say that he is agnostic on the philosophical issues?

McLean: (Pause) He certainly is not attracted to any high-flown theories which may or may not work in practice and he listens very attentively to the mood of the people of New Zealand.

(McLean at this point drew a distinction between his job as an MP to "reflect the attitudes of his electorate", which he said he tried to do, and the need to persuade his electors that to ensure that the economy delivered to them what they wanted in terms of jobs and standard of living some changes would be required that on the face of them they would be reluctant to accept.

He said he had moved much further from the "middle ground" attitude to state intervention than he had been three years ago.

"I am now even more convinced that every time the state sticks its finger in to try some detailed bit of intervention, it's liable to cause more harm than good," he said, citing in support the confidence-building effect of abandoning detailed assistance to farming in favour of broad-based price support and Rural Bank credit.)

NBR: So you have been emboldened by the steps that have been taken to advocate still further steps?

McLean: Yes.

NBR: Do you feel your colleagues who came in with you have followed you down this path?

McLean: We've worked pretty closely together. When we came in in 1978 we came in with a remarkably similar set of views and my guess is that the spectrum is pretty well the same as when we came in.

> 'I am now even more convinced that every time the state sticks its finger in to try some detailed bit of intervention, it's liable to cause more harm than good.'

Some of them have shifted a little bit one way or the other, but overall my guess is that there has been remarkably little change.

NBR: Would you place yourself among the most libertarian — anti-state intervention — MPs?

McLean: In the economic area, yes.

NBR: Do you think there has been any shift in the centre of gravity on this sort of issue within the caucus as a whole in the past two years?

McLean: I believe there has been a significant shift in the National Party in this Parliament as opposed to previous Parliaments.

NBR: And you're confident that will be sustained in the next Parliament?

McLean: Yes.

NBR: Are there examples coming up in the next year to 18 months of decisions that the Government is faced with which will serve as evidence for your statement that the momentum will be maintained?

McLean: I can't discuss particular decisions at the moment as we are coming up both to the Budget and then an election manifesto.

NBR: Can we expect a liberal attitude to the Industries Development Commission reports?

McLean: Yes. Not an attitude which will bring revolutionary change overnight, which I believe is undesirable.

But I would expect that the continued progress of the industry studies will lead to steady liberalisation and a significant increase in efficiency, hence a higher standard of living and more jobs.

> 'I believe there has been a significant shift in the National Party in this Parliament as opposed to previous Parliaments. — And you're confident that will be sustained in the next Parliament? — Yes.

NBR: So, to sum up, there has been no retreat by the 1978 class of MPs or the Government from the liberalising momentum which was developed during 1979 and 1980 and we can expect no retreat in the next period of Government?

McLean: I'm not quite sure about the word retreat. That implies combat and battle. But I don't believe there has been a change, except in MP's awareness of the need for time to make New Zealanders aware of the cost of detailed state intervention and control.

NBR: And that's a lesson the new MPs that come in at the end of this year will have to learn, too?

McLean: Yes, but they'll come into an environment which will be even more receptive than the one we came into, because there has already been signifcant progress during the term of this Parliament.

There will be more confidence that the changes can take place at a pace which New Zealanders will accept and that New Zealanders will understand the benefits in jobs and standard of living from such a policy.

On Friedman and the deficit

McLean: In some of the things Milton Friedman says — such as that massive government activity, with high government spending, is one of the major causes of inflation — he is right.

At the same time, my feeling is that Keynes was also right when he said that in the absence of any government intervention in the broad levels of spending you could get slump where the economy settles with a high level of unemployment and slow growth.

What we've got to do now is find a way to reconcile the two — that is, find a way in which governments can stimulate the economy out of slump and at the same time not bring about perpetual inflation and economic stagnation.

NBR: So the corollary of this is that you see the concentration of, say, the Fraser Government in Australia and the Thatcher Government in Britain, on attacking inflation as enemy No. 1 as being lopsided.

McLean: They are in different situations from here. I wouldn't accept that you simply attack inflation and don't worry about what happens to unemployment. What we've got to do is find a way in which stimulus can be provided during times of slump but that the level of government spending can be chopped back quickly in times of boom.

NBR: We're heading for a very high deficit this year. Does that worry you?

McLean: With the very low terms of trade which we've got, we're still in a trough because of the oil shock and the way the prices for our exports, the farm exports, have been affected by the slump in the outside world.

This is a time for a deficit. What we've got to make sure is that that deficit just doesn't persist indefinitely.

NBR: How long have we got?

McLean: About a year or so.

Plastics

'Underarm' cricket game could bring in $140,000

THIS survey of the plastics industry is prepared by David Peach in association with the Plastics Institute of New Zealand.

A $1000 patent investment could develop into a $140,000 a year export return for a small specialist plastics manufacturing company Plastics Agencies (H F Welders) Ltd.

The Wellington-based company has developed a dice game of cricket, patented it in New Zealand and Australia and has approached the giant Kerry Packer organisation across the Tasman to handle the marketing and distribution of the game in that country.

Company director "Taffy" Parry is now awaiting the Packer organisation's final decision on an agreement, but he says the game has met with remarkable enthusiasm.

Parry's contact with Australia's king of World Series Cricket was by design. Part of the new dice game required photographs of well-known international cricketers, and Packer's permission was needed for the use of these.

"When gaining permission to use an assortment of photographs I took the opportunity of discussing the marketing of the product, particularly in Australia," said Parry, "and I was given indications that the organisation, with its huge and diverse resources, would like to handle the game from the Australian end.

"And they had no objection to the title given the game, 'Underarm'," he claimed.

Parry maintains if all goes well and an agreement with Packer is confirmed, the product will gross about $140,000 in export receipts in its first year on the market.

"It will be introduced in New Zealand to coincide with the new cricket season, likewise, hopefully in Australia, and if the game takes off in these two markets, we'll be looking farther afield to market it."

Parry hopes the game can be marketed and distributed in New Zealand through only one major wholesaler, to keep his production and distribution methods and responsibilities streamlined.

Manufacture of the plastics components to the game will be controlled from his Naenae factory.

"There's nothing wrong with you that a couple of record quarters wouldn't cure."

Petrochemicals not pushed hard by IDC

THE establishment of a New Zealand petrochemical industry, something strongly supported by plastics manufacturers, is not seen as essential to the implementation or success of the plastics industry development plan as drawn up by the Industries Development Commission.

The IDC does, however, see advantages in such an industry being set up in New Zealand.

In its draft report, General Principles for the Plastics Industry, the IDC said that its *development plan* was not dependent upon the possibility of a local source of supply for raw materials.

"If such a source develops during the course of the review period up to 1990, the commission considers that no change to the plan will be necessary.

"The commission is, however, *of the view that if a* petrochemical industry is established in New Zealand then the plastics industry, which will be a major user of the development's production, would not be disadvantaged by that development.

"This in essence will require that any local petrochemical development be given no pro*tection at the expense of* its downstream-user industries."

The commission did forsee considerable advantages that might accrue to downstream users of such an industry.

In particular it considered a number of alternative pricing policies which might be applied to the products of the development concerned, including one which would provide the plastics industry with its raw materials at prices equating the return which would accrue at the raw material supplier from the major portion of its production which would of necessity be sold on export markets.

The commission considered that there would be scope for *the plastics industry* to be provided with its raw materials at prices representing the FOB portion of export sales.

"This might possibly be achieved at little cost to the petrochemical investor, while bestowing considerable benefits on the New Zealand economy as a whole," the commission said.

"The obvious result would be a more internationally-competitive plastics industry with its advantageous raw material pricing perhaps offsetting a considerable portion, if not all, of the other disadvantages inherent in its scale of New Zealand operation."

"The result of that could be to provide the New Zealand consumer with considerable price relief at the same time enabling the industry to market its products successfully in a wide range of export markets."

Plastics

Differing PVC rules

THE New Zealand Society of Master Plumbers and Gasfitters intends to enter into immediate discussions with the Health Department to eliminate the current confusion over differing local body interpretations on the usage of PVC soil and waste pipe.

At its recent annual conference in Invercargill a remit from the Wellington branch of the society *sought a solution to* this problem.

The society will be discussing the matter shortly with the Health Department's regulations committee.

The executive director of the society, Greg Armitage, said: "The problem of differing regional interpretations of the regulations has been a cause of real concern *for some years.*"

Not only do different local authorities place their own interpretations on the regulations, but individual plumbing and drainage inspectors make further individual interpretations.

For instance, in some regions PVC pipe may be used under just about any circumstances *while in the other areas its use* is strictly limited; some permit its use under concrete, others permit its use overground only, says Armitage.

"The industry finds it virtually impossible to work with such a profusion of regulations and by-laws.

"We seek uniformity in decisions throughout the country and it seems the only way we can do this is to have the regulations altered. The administering authority for the regulations is the Health Department."

NZ product reaches top

THE most spectacular ride in Hong Kong today is said to be by "bullet" lift to the 63rd-floor revolving restaurant top*ping the new Hopewell Centre.*

Shooting skywards in one of the two exterior "bullets" one has heart-stopping views of the Wanchai district and Hong Kong itself disappearing beneath. Panoramic vistas of Victoria Harbour are the prize for those prepared to blast to the top of South-east Asia's tallest building (682ft) to dine.

But the 151ft diameter circular tower is said to be an excitement in itself.

Plastics from Nylex Fletcher have had an important part to play in interior decoration of the Hopewell Centre. Thousands of metres of Studio vinyl wall coverings in Cotele Cream have been supplied to Cemac (Hong Kong) — a totally-owned subsidiary of Winstone Ltd — which has secured partition sub-division contracts for four multi-floor tenancies.

Jardine Engineering Corporation, Gammon (H.K.) Ltd, Wallem Shipping Ltd and Schindler Lifts have all specified Cemac partitioning — and with it, Studio vinyl wall covering.

Cemac has specifically designed partitioning for the Hong Kong market and adapted it to suit the circular shape of the Hopewell Centre. The most successful contractor/user of Studio vinyl wall coverings, Cemac has been obtaining the material from Nylex over a number of years.

Studio is a hard wearing PVC-coated fabric specially developed for interior wall decoration. In 50 optional colours, textures and patterns, *Studio can be cleaned by dry* brushing or with detergent solution.

Studio wall coverings can be applied to any smooth dry surface such as plaster, particle board or masonry — or office partitions such as Cemac's. Because of its toughness Studio is particularly suited to hard wear areas such as offices, public buildings, schools, hospitals, hotels, motels, theatres etc.

Helping cut petrol use

THE intensified use of plastics in cars is having a significant impact on petrol savings, according to a recent survey conducted by the Plastics Institute of Australia.

It has calculated that for every kilogram of plastics used 3.5kg of other materials are replaced, giving a weight-saving of 2.5kg.

A car using 180kg of plastics (Australia's target for 1985) would represent a weight-saving, on this basis, of 450kg.

It has also been calculated that for every 45kg of weight reduction, 0.3 miles a gallon of fuel is saved. On this basis, the PIA maintains, a weight reduction of 450kg would result in a lowering of fuel consumption by 3 miles a gallon.

"Assuming an annual Australian production rate of 300,000 vehicles (sedans and station wagons only), each of which will travel 10,000 miles per annum at a fuel consumption rate of 20mpg some 150 million gallons of motor spirit will be used annually," the report states.

"If fuel consumption were extended by 3mpg to 23mpg by the use of 180kg of plastics per vehicle, the total amount of motor spirit consumed each year would be 130 million gallons, a saving of 20 million gallons."

The PIA maintains that as *the current usage of plastics* is 95kg per vehicle — half-way towards the 1985 target — 32,000 tonnes of motor spirit is already being saved.

In a summary of its investigations, the PIA states the crude oil used to produce 64,000 tonnes of motor spirit would yield approximately 71,000 tonnes of plastics material, considerably more than the 54,000 tonnes (300,000 vehicles at 180kg each) of plastics used in the production of the motor vehicles.

In other words, the energy used in the manufacture of plastics materials for the production of automotive com*ponents each year will be more* than recovered by the savings in energy in reduced fuel consumption by these vehicles.

And these vehicles containing 180kg of plastics will continue to save that energy for each year of their lives, so that the use of plastics in automotive production will have a cumulative net saving effect.

The PIA maintains that in time, it will be shown that the energy saved by the use of plastics in automotive manufacture will be sufficient to cover the manufacture of plastics products used in every other application.

It will not be too long before Australia's total consumption of plastics will actually represent a net savings of energy, the PIA claims.